Notice of meeting and agenda

The City of Edinburgh Council

10.00 am, Thursday, 30 June 2016

Council Chamber, City Chambers, High Street, Edinburgh

This is a public meeting and members of the public are welcome to attend

Contact

E-mail: allan.mccartney@edinburgh.gov.uk

Tel: 0131 529 4246

1. Order of business

1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

2. Declaration of interests

2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

3. Deputations

3.1 If any

4. Minutes

4.1 The City of Edinburgh Council of 2 June 2016 – submitted for approval as a correct record

5. Questions

5.1 By Councillor Corbett – Outbreak of Legionnaire's Disease in 2012 – for answer by the Convener of the Transport and Environment Committee

5.2 By Councillor Booth – Hand Pushed Litter Barrows – for answer by the Convener of the Transport and Environment Committee

5.3 By Councillor Booth – Refugees and Asylum Seekers – for answer by the Leader of the Council

5.4 By Councillor Heslop – Juniper Green Village Hall – for answer by the Convener of the Education, Children and Families Committee

5.5 By Councillor Rust – Edinburgh Mela – for answer by the Convener of the Culture and Sport Committee

5.6 By Councillor Rust – Lothian Chambers - for answer by the Convener of the Finance and Resources Committee

5.7 By Councillor Whyte – Shared Services – for answer by the Convener of the Finance and Resources Committee

5.8 By Councillor Main – School Travel Plans – for answer by the Convener of the Transport and Environment Committee

5.9 By Councillor Burgess – Transient Visitor Levy – for answer by the Convener of the Finance and Resources Committee

6. Leader's Report

6.1 Leader's report

7. Appointments

7.1 If any

8. Reports

8.1 City of Edinburgh Council Performance Overview 2016 – report by the Chief Executive (circulated)

8.2 Council Companies – report by the Chief Executive (circulated)

8.3 Unaudited Annual Accounts 2015/16 – report by the Acting Executive Director of Resources (circulated)

8.4 Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited - referral from the Pensions Committee (circulated)

8.5 The City of Edinburgh Council Charitable Trusts – Unaudited Trustee's Annual Report and Accounts 2015/16 – report by the Acting Executive Director of Resources (circulated)

8.6 Common Good Asset Register – report by the Acting Executive Director of Resources (circulated)

8.7 The Edinburgh and South East Scotland City Region (ESESCR) Deal – report by the Executive Director of Place (circulated)

8.8 West Princes Street Gardens and the Ross Bandstand – Update – report by the Executive Director of Place (circulated)

8.9 Report of Pre-Determination Hearing - South East Wedge Development Site, Old Dalkeith Road, Edinburgh - referral from the Development Management Sub-Committee (circulated)

Note: Letters of representation on the above planning application are available for the members to inspect in the group rooms and for the public at the reception in the city chambers; planning applications can also be viewed online by going to www.edinburgh.gov.uk/planning - this includes letters of comment received.

9. Motions

9.1 By Councillor Burgess – Best Band

"Council:

Congratulates Edinburgh-based ska band Bombskare for winning the prodigious 'UK Best Part-Time Band' award.

Notes the BBC competition received more than 1,200 applications from bands across the UK playing all kinds of popular music, culminating in a BBC2 Grand Finale on 17 June.

Welcomes that the competition is part of a campaign to inspire and encourage music lovers, amateur musicians and lapsed players to pick up instruments and recognises the contribution of such part-time musicians to Edinburgh's vibrant music scene.

Requests that on behalf of the Council the Lord Provost acknowledges the band's success in an appropriate manner."

9.2 By Councillor Aitken – Boroughmuir High School – Consumer Champions

"Council

1. Congratulates Boroughmuir High School pupils, Jessica McGhee, Clara Wilson, Henry Speir, Calum Mackay, Maya Ferrugia (reserve) being named as Britain's top young consumers.

2. Notes the pupils won the UK finals of the Young Consumers of the Year Competition earlier this month after winning the Scottish Finals during a gathering at the Scottish Parliament in March this year.

3. Notes in winning this competition the pupils have demonstrated a real awareness of consumer rights and issues which will assist them in preparing for adult life.

Requests that the Lord Provost recognises this achievement in the appropriate manner."

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Information about the City of Edinburgh Council meeting

The City of Edinburgh Council consists of 58 Councillors and is elected under proportional representation. The City of Edinburgh Council usually meets once a month and the Lord Provost is the Convener when it meets.

The City of Edinburgh Council usually meets in the Council Chamber in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the Council meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Allan McCartney, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4246, e-mail allan.mccartney@edinburgh.gov.uk.

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to www.edinburgh.gov.uk/cpol.

For remaining items of business likely to be considered in private, see separate agenda.

Webcasting of Council meetings

Please note: this meeting may be filmed for live and subsequent broadcast via the Council's internet site – at the start of the meeting the Lord Provost will confirm if all or part of the meeting is being filmed.

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Minutes

Item No 4.1

The City of Edinburgh Council

Edinburgh, Thursday 2 June 2016

Present:-

LORD PROVOST

The Right Honourable Donald Wilson

COUNCILLORS

Elaine Aitken
Robert C Aldridge
Norma Austin Hart
Nigel Bagshaw
Jeremy R Balfour
Gavin Barrie
Angela Blacklock
Chas Booth
Mike Bridgman
Steve Burgess
Andrew Burns
Ronald Cairns
Steve Cardownie
Maureen M Child
Bill Cook
Nick Cook
Gavin Corbett
Cammy Day
Denis C Dixon
Marion Donaldson
Karen Doran
Paul G Edie
Catherine Fullerton
Nick Gardner
Paul Godzik
Joan Griffiths
Bill Henderson
Ricky Henderson
Dominic R C Heslop
Lesley Hinds
Sandy Howat
Allan G Jackson
David Key
Richard Lewis
Alex Lunn
Melanie Main
Mark McInnes
Adam McVey
Eric Milligan
Joanna Mowat
Gordon J Munro
Jim Orr
Lindsay Paterson
Ian Perry
Alasdair Rankin
Vicki Redpath
Lewis Ritchie
Keith Robson
Cameron Rose
Frank Ross
Jason G Rust
Alastair Shields
Stefan Tymkewycz
David Walker
Iain Whyte
Norman Work

1. Minutes

Decision

To approve the minute of the Council of 28 April 2016 as a correct record subject to the adjustment at the Supplementary Answer to Question No 9 to reflect that Councillor Rust was being responded to and not Councillor Rose as detailed.

2. Questions

The questions put by members to this meeting, written answers and supplementary questions and answers are contained in Appendix 1 to this minute.

3 Leader's Report

The Leader presented his report to the Council. The Leader commented on:

- School closures - Update
- Hibernian Football Club – Scottish Cup Celebrations – Thanks to staff
- Congratulations to Councillor Balfour on his election as an MSP

The following questions/comments were made:

Councillor Rose	-	Organisational Review Summary – redeployment figures
Councillor Burgess	-	Recent Scottish Parliament Elections – consequences for Edinburgh
Councillor Aldridge	-	Health and Social Care – Care Inspectorate report on Gylemuir Care Home – policy for referrals
Councillor Ross	-	Bruce Mowat, Edinburgh Curling Club – congratulations for achievements
Councillor Edie	-	Congratulations to Councillor Balfour on his election as an MSP
	-	Hibernian Football Club – Scottish Cup Celebrations – Thanks to staff
	-	Forthcoming EU Referendum
Councillor Lewis	-	Hibernian Football Club – Scottish Cup Celebrations – Thanks to staff
	-	Imaginate Festival - congratulations

Councillor Barrie	-	Congratulations to Heriots Rugby Club for successful season
Councillor Heslop	-	Possible meeting with Donald Trump
Councillor Donaldson	-	Hibernian Football Club - congratulations
Councillor Cardownie	-	Edinburgh City Football Club – congratulations for promotion to Scottish Professional Football League 2
Councillor Tymkewycz	-	Edinburgh City Football Club – congratulations for promotion to Scottish Professional Football League 2
Councillor Griffiths	-	Edina Hibs Community Football Club Under 15 Scottish Cup - congratulations
	-	Duddingston Primary School Primary 7 Football Team – appreciation to coaches
Councillor Whyte	-	Hibernian Football Club/ Heriots Rugby Club - congratulations
	-	Rolling Actions Log – Shared Services
Councillor Ritchie	-	Food Bank Working Group

4. Review of Appointments to Committees, Boards and Joint Boards for 2016-17

The Council was invited to appoint members to Committees, Boards and Joint Boards for the municipal year 2016/2017.

Decision

To approve the appointments to Committees, Boards and Joint Boards for 2016/17 as detailed in Appendices 2 to 5 of this minute.

(Reference – report by the Chief Executive, submitted)

5 Mortonhall Action Plan - Update

The Council had endorsed the Action Plan drawn up by the Chief Executive's Multi-Agency Working Group, agreed the actions proposed and requested that the working group continue to meet to ensure that the action plan was fully discharged and report back in 12 months time. An update had been provided on progress made on recommendations from Dame Elish Angiolini's Mortonhall Investigation Report together with actions from the Chief Executive's Multi-Agency Working Group Action Plan.

A further update on progress was provided as part of the agreed bi-annual reporting cycle.

Decision

1) To note the update on actions from Dame Elish Angiolini's Mortonhall Investigation Report and Chief Executive's Multi-Agency Working Group Action Plan, and the positive progress that continued to be made against all recommendations two years after the Action Plan was originally approved by Council, and one year after the presentation of an interim update report in June 2015.

2) To note thanks to all affected parents, staff, partners and contributors in enabling the successful progress on actions.

3) To note the successful completion of a memorial at Mortonhall.

4) To agree to move to consult with all affected parents on design options for the Princes Street Gardens memorial in Summer 2016.

5) To agree the revised City of Edinburgh Council Cremation Policy document.

6) To note the continuing positive work of the Chief Executive's Multi-Agency Working Group in providing oversight of actions.

7) To agree the revised policy position on disposal and recycling of metals recovered following cremation, with the intention that an equitable donation of monies received be gifted to SANDS Lothians and SiMBA.

8) To note that the formal inspection of Mortonhall by HM Inspector of Crematoria took place on 5 May 2016, with no non-conformities identified and a compliant service report.

9) To approve an additional capital expenditure of £200,000 for the mercury abatement works required as part of the refurbishment programme to ensure continued compliance with SEPA environmental regulations.

10) To agree to the adoption of the Scottish Government Code of Practice and guidelines formally published in December 2015.

(References – Act of Council No 1 of 26 June 2014; Act of Council No 1 of 25 June 2015: report by the Chief Executive, submitted.)

6. City of Edinburgh Council Officer Represntation on the Edinburgh Integration Joint Board Strategic Planning Group

Details were provided on the Public Bodies (Joint Working) (Scotland) Act 2014 which required integration authorities to establish a Strategic Planning Group as a means of ensuring stakeholders were consulted at each stage of the preparation of the Strategic Plan.

Decision

1) To approve the nomination of the Chief Social Work Officer as the Council's officer representative on the Edinburgh Integration Joint Board Strategic Planning Group.

2) To delegate the nomination of the Council's officer representative on the Edinburgh Integration Joint Board Strategic Planning Group to the Chief Executive and that the Scheme of Delegation be amended accordingly.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted.)

Declaration of Interest

Councillor Edie declared a financial interest as Chair of the Care Inspectorate and left the meeting during the Council's consideration of the above item.

7. Rolling Actions Log

Details were provided on the outstanding actions arising from decisions taken by the Council from May 2015 to April 2016.

Decision

1) To agree to close the following actions:

Action 1	-	Mortonhall Action Plan – Update
Action 6	-	Transport for Edinburgh – Recruitment of Senior Managers and Appointment of Directors to Board
Action 10	-	Festival Events – motion by Councillor Mowat
Action 11	-	Museum of Fire – motion by Councillor Day

2) To ask that the six month report referred to in Action 9 (Formal collaboration Proposal for Edinburgh, Lothians, Borders and Fife Councils) include the wider issues referred to in the outstanding action.

3) To otherwise note the Rolling Actions Log.

(References – Act of Council No 12 of 25 June 2015; report by the Chief Executive, submitted.)

8 Outside Bodies

The risks and outstanding issues surrounding the outside bodies which the Council had appointed elected members to were outlined. Details were provided on recommended future work and immediate actions to be taken in regard to unicorporate organisations and charitable trusts in particular.

Decision

1) To note the potential personal liability for elected members in serving on the management committee of unincorporated associations.

2) To note that elected members would best be protected from personal liability by resigning from the management committees of unincorporated organisations.

3) In the light of their potential personal liability, to invite elected members to consider their position in relation to the unincorporated associations listed in appendix one to report by the Chief Executive.

4) To note the further work to be carried out exploring the type and liabilities of outside organisations.

5) To agree to carry out the work exploring the liability of the charitable trusts outlined in appendix two to the report.

6) To agree the new governance process for managing the appointment of elected members to outside organisations outlined in appendix three to the report.

7) To agree that further work should be carried out before the Local Government Elections in 2017 to ascertain the relevancy to the Council of the organisations in the outside bodies list.

8) To appoint Councillor Barrie as a replacement for Councillor Ross as the Council's representative on Business Loan Funds (Scotland) Ltd.

(References – Finance and Resources Committee 17 March 2016 (item 40); report by the Chief Executive, submitted.)

9. Operational Governance – Review of Contract Standing Orders and Guidance on the Appointment of Consultants

The Council had approved the current Contract Standing Orders (CSOs) and the Guidance on the Appointment of Consultants on 29 October 2012. The outcome of a review that had been carried out of the Council's CSOs which outlined a number of proposed key changes to the Contract Standing Orders and the Guidance on Appointment of Consultants had been presented and approved on 5 February 2015.

Details were provided on the review of the current CSOs, the engagement which had been undertaken and the main changes which were proposed following consultation.

Decision

1) To approve the proposed revisals to the existing CSOs (as noted in Table 1 and Appendix 1 to the report by the Acting Executive Director of Resources).

2) To note that there would continue to be an annual review of CSOs to ensure that they worked effectively and secured continuous improvement and Best Value.

3) To approve the revisals to the Appointment of Consultants as noted in Table 2 and Appendix 2 to the report.

4) To note a report to the forthcoming Finance and Resources Committee on lessons learned from health and social care procurement and grants distribution and the potential for further refinement to standing orders and procurement guidance in that light.

5) To agree to develop a reporting framework for Finance and Resources Committee by October 2016 which sought to provide an overview of the aggregate impact of procurement decisions in relation to co-production, SMEs and social enterprises, sustainability, fair working conditions and other such matters which were consistent with Council policy ambitions.

(References: Act of Council No 9 of 25 October 2012; Act of Council No 8 of 5 February 2015; report by the Acting Executive Director of Resources, circulated)

10. Common Good Asset Register

The Council had instructed the Chief Executive to allocate £100,000 to develop and maintain a Common Good Asset Register.

Details were provided on the progress made on the Register.

Decision

1) To note the report by the Acting Executive Director of Resources.

2) To note that further reports would be brought to Committee once Scottish Ministers guidance on common good registers had been issued and to consider the implications arising from compliance with the Land Registration (Scotland) Act 2012.

3) To note that at the meeting of the Corporate Policy and Strategy Committee on 1st December 2015 an instruction was given to officers to report on finding innovative solutions involving community groups, higher education and historical societies and that the report is silent on any progress of this instruction.

4) To note that the Council Leader was to write to COSLA requesting that Common Good would be put on a future agenda and note that the report made no reference to this and request a further report to be brought to Council in one cycle to provide an update on the matters previously instructed by Committee and on which the above report was silent.

(References – Act of Council No 2 of 21 January 2016; report by the Acting Executive Director of Resources, submitted)

11 Report of Pre-Determination Hearing – Gogar Station Road, Edinburgh – referral from the Development Management Sub-Committee

The Development Management Sub-Committee had referred a report on an application for planning permission in principle submitted by Murray Estates Lothian Limited, which was the subject of a pre-determination hearing under the procedures set out in the Town and Country Planning (Development Management Procedures) (Scotland) Regulations 2008, for decision.

Motion

To grant planning permission in principle subject to the conditions, informatives and legal agreements and notification to Scottish Ministers.

Conditions

1. No development shall take place until a detailed Masterplan for the whole site has been approved in writing by the Council as Planning Authority. The Masterplan shall include a plan identifying individual sub-sites and phasing.

Hereafter, reference to sub-sites in subsequent conditions relates to the identified sub-sites within this phasing plan.

Reason : In order to secure an integrated layout and satisfactory urban design for the site as a whole.

2. a) No development shall commence until full details of the flood prevention measures (including any diversion of the Gogar Burn) have been approved by the Council as Planning Authority in consultation with SEPA. This shall include full details of the proposed realigned Gogar Burn channel, the proposed enhanced storage area and the proposals for managing the risk of flooding from the Lesser Mill Burn at the later planning stages.

b) The flood prevention measures shall be implemented in full prior to the occupation of the first dwelling.

Reason: In order to ensure satisfactory water management within the site.

3. No residential unit shall be occupied until the poultry farm use has ceased and the operational land and buildings related to the poultry farm have been decommissioned.

Reason: In the interests of human health and amenity.

4. Before any work on a site which forms part of an identified sub-site development plot is commenced details of the undernoted matters shall be submitted to and approved in writing by the Council as Planning Authority; the submission shall be in the form of a detailed layout of the site within the relevant development plot.

Approval of matters

- Height, massing, siting and ground floor levels within the Masterplan approved by condition 1.
- Design and external appearance of all buildings, roof form, open space, public realm and other structures;
- All operational aspects of open space and public realm including the incorporation of the diverted Gogar Burn – note:- all development shall be placed outside the predicted 200 year plus climate change flood extent for the 25% culvert blockage scenario.
- Existing and finished site and floor levels in relation to Ordnance Datum;
- Roads, footways, cycleways, servicing and layout of car parking and cycle parking provision in accordance with standards agreed within the Masterplan;

- Amendments of any treatment to adopted roads and footways;
- Signing of pedestrian and cycle access routes to/from and through the development;
- Surface water management, drainage arrangements, SUDs proposals and SUDs maintenance plan;
- All operational aspects of the commercial and business uses including details of servicing arrangements, opening hours, all external plant, machinery and/or ventilation, hours of deliveries and collections;
- Waste management and recycling facilities;
- External lighting, including floodlighting and street lighting arrangements for the development;
- Site investigation/decontamination arrangements;
- Ecological studies including mitigation works to protect against any damage to protected species, bats, otters and badgers.

Landscaping

- Detailed soft and hard landscaping plan and levels
- A schedule of all plants to comprise species, plant size and proposed number and density
- Inclusion of hard and soft landscaping details including tree removal
- Landscape management plan including schedule for implementation and maintenance of planting scheme
- Any boundary treatments, including noise barriers
- A method statement for the treatment of invasive non-native species such as Giant Hogweed

Reason: In order to secure a satisfactory design.

5. The trees on the site shall be protected during the construction period by the erection of fencing, in accordance with clause 2 of BS 5837:2012 " Trees in relation to design, demolition and construction".

Reason: In order to ensure adequately protect trees within the site.

6. Construction details, specification, including trade names where appropriate, of all proposed external materials shall be submitted to and approved in writing by the Council as Planning Authority before work is commenced on a site; note: sample panels of the materials are to be erected and maintained on a site for an agreed period during construction.

   Reason: In order to consider these matters in more detail.

7. Prior to the commencement of construction works on site:

   (a) A site survey (including intrusive investigation where necessary) must be carried out to establish to the satisfaction of the Council as Planning Authority, either that the level of risk posed to human health and the wider environment by contaminants in, on or under the land is acceptable, or that remedial and/or protective measures could be undertaken to bring the risks to an acceptable level in relation to the development; and

   (b) Where necessary, a detailed schedule of any remedial and/or protective measures, including their programming, must be submitted to and approved in writing by the Council as Planning Authority.

   Any required remedial and/or protective measures shall be implemented in accordance with the approved schedule and documentary evidence to certify those works shall be provided to the satisfaction of the Council as Planning Authority.

   Reason: In the interests of human health.

8. No development shall take place until a scheme for protecting the residential development hereby approved and existing from noise from the road and commercial noise (existing and proposed) has been submitted to and approved in writing by the Council as Planning Authority (which shall as necessary consult with Transport Scotland in relation to trunk roads in relation to this). All works which form part of the approved scheme shall be completed to the satisfaction of the Council as Planning Authority before any part of the development is occupied.

   Reason: In the interests of human health and amenity.

9. Class 1 Retail hours of operation including servicing and deliveries require to be agreed at the Approval of Matters in Conditions (AMC) stage.

   Reason: In the interests of amenity.

10. Retail floor space requires to be agreed at the Approval of Matters in Conditions (AMC) stage.

Reason: In order to protect the vitality and viability of existing town centres.

11. No development shall take place on the site until the applicant has secured the implementation of a programme of archaeological work (excavation, field walking and metal detecting, reporting and analysis and publication) in accordance with a written scheme of investigation which has been submitted by the applicant and approved by the Council as Planning Authority. The work must be carried out by a professional archaeological organisation, either working to a brief prepared by CECAS or through a written scheme of investigation submitted to and agreed by CECAS for the site. Responsibility for the execution and resourcing of the programme of archaeological works and for the archiving and appropriate level of publication of the results lies with the applicant.

Reason: In the interests of archaeological heritage.

12. Development shall not commence until a Bird Hazard Management Plan has been submitted to and approved in writing by the Council as Planning Authority. The submitted plan shall include details of:

- monitoring of any standing water within the site temporary or permanent
- sustainable urban drainage schemes (SUDS) - Such schemes shall comply with Advice Note 6 'Potential Bird Hazards from Sustainable Urban Drainage schemes (SUDS) (available at http://www.aoa.org.uk/policy-safeguarding.htm).
- management of any flat/shallow pitched/green roofs on buildings within the site which may be attractive to nesting, roosting and "loafing" birds. The management plan shall comply with Advice Note 8 'Potential Bird Hazards from Building Design'
- reinstatement of grass areas
- maintenance of planted and landscaped areas, particularly in terms of height and species of plants that are allowed to grow
- which waste materials can be brought on to the site/what if any exceptions e.g. green waste
- monitoring of waste imports (although this may be covered by the site licence) physical arrangements for the collection (including litter bins) and storage of

putrescible waste, arrangements for and frequency of the removal of putrescible waste

- signs deterring people from feeding the birds.

The Bird Hazard Management Plan shall be implemented as approved, on completion of the development and shall remain in force for the life of the building. No subsequent alterations to the plan are to take place unless first submitted to and approved in writing by the Council as Planning Authority.

Reason: In the interests of aircraft safety.

13. The Bird Hazard Management Plan must ensure that flat/shallow pitched roofs be constructed to allow access to all areas by foot using permanent fixed access stairs ladders or similar. The owner/occupier must not allow gulls, to nest, roost or loaf on the building. Checks must be made weekly or sooner if bird activity dictates, during the breeding season. Outside of the breeding season gull activity must be monitored and the roof checked regularly to ensure that gulls do not utilise the roof. Any gulls found nesting, roosting or loafing must be dispersed by the owner/occupier when detected or when requested by Edinburgh Airport Airside Operations staff. In some instances it may be necessary to contact Edinburgh Airport Airside Operations staff before bird dispersal takes place. The owner/occupier must remove any nests or eggs found on the roof.

    The breeding season for gulls typically runs from March to June. The owner/occupier must obtain the appropriate licences where applicable from Scottish Natural Heritage before the removal of nests and eggs.

    Reason: In the interests of aircraft safety.

14. Height Limitation on Buildings and Structures: No building or structure of the development hereby permitted shall exceed 25m AGL.

    Reason: In the interests of aircraft safety.

15. No development shall take place until full details of soft and water landscaping works have been submitted to and approved in writing by the Council as Planning Authority, details must comply with Advice Note 3 'Potential Bird Hazards from Amenity Landscaping & Building Design' (available at http://www.aoa.org.uk/operations-safety/). These details shall include:

- any earthworks
- grassed areas

- the species, number and spacing of trees and shrubs
- details of any water features
- drainage details including SUDS - Such schemes must comply with Advice Note 6 'Potential Bird Hazards from Sustainable urban Drainage Schemes (SUDS) (available at http://www.aoa.org.uk/policy-safeguarding.htm).
- others that you or the Authority may specify and having regard to Advice Note 3: Potential Bird Hazards from Amenity Landscaping and Building Design and Note 6 on SUDS].

No subsequent alterations to the approved landscaping scheme are to take place unless submitted to and approved in writing by the Council as Planning Authority. The scheme shall be implemented as approved.

Reason: In the interests of aircraft safety.

16. Development shall not commence until details of the Sustainable Urban Drainage Schemes (SUDS) have been submitted to and approved in writing by the Council as Planning Authority. Details must comply with Advice Note 6 'Potential Bird Hazards from Sustainable Urban Drainage Schemes (SUDS). The submitted Plan shall include details of:

- Attenuation times
- Profiles & dimensions of water bodies
- Details of marginal planting

No subsequent alterations to the approved SUDS scheme are to take place unless first submitted to and approved in writing by the Council as Planning Authority. The scheme shall be implemented as approved.

Reason: In the interests of aircraft safety.

17. Prior to the commencement of development details of landscape planting and fencing along the boundaries with the trunk road shall be submitted for the approval of the Council as Planning Authority in consultation with Transport Scotland.

Reason: To minimise the risk of pedestrians and vehicles gaining uncontrolled access to the trunk road with the consequential risk of accidents and also to provide adequate environmental screening.

18. An Air Quality Impact Assessment shall be submitted along with the detailed masterplan.

Reason: In order to fully consider air quality impacts resulting from the design.

Informatives

It should be noted that:

1. a) Application for the approval of matters specified in conditions shall be made before the expiration of 3 years from the date of the grant of planning permission in principle, unless an earlier application for such approval has been refused or an appeal against such refusal has been dismissed, in which case application for the approval of all outstanding matters specified in conditions must be made within 6 months of the date of such refusal or dismissal.

b) The approved development shall be commenced not later than the expiration of 3 years from the date of grant of planning permission in principle or 2 years from the final approval of matters specified in conditions, whichever is later.

2. No development shall take place on the site until a 'Notice of Initiation of Development' has been submitted to the Council stating the intended date on which the development is to commence. Failure to do so constitutes a breach of planning control, under Section 123(1) of the Town and Country Planning (Scotland) Act 1997.

3. As soon as practicable upon the completion of each phase of the development of the site, as authorised in the associated grant of permission, a 'Notice of Completion of Development' must be given, in writing to the Council.

4. LEGAL AGREEMENT: Consent shall not be issued until a suitable legal agreement, including those requiring a financial contribution payable to the City of Edinburgh Council, has been concluded in relation to transport infrastructure.

The legal agreement shall also secure necessary funds and / or measures to implement other measures of the Council's East of Millburn Transport Appraisal including:

- The Transport mitigation measures set out in the Council's East of Millburn Tower Transport Appraisal dated January 2015 shall be identified in the Masterplan phasing plan and trigger points agreed :

- Upgrades to Gogar Station Road – including widening the rail and burn overbridges.

- The introduction of shuttle traffic signals on Gogar Station Road where the road crosses the Gogar Burn to the south of the site and in close proximity to Daltons Scarp Yard

- Improvements to the A71 Hermiston Park and Ride roundabout

- Contributions of a scale representative of transport impact towards improvements to the A8 corridor as identified in the wider transport infrastructure studies.

- Explore the provision of a segregated pedestrian link to the Edinburgh Gateway/tram interchange

The legal agreement should be concluded within 6 months of the date of this notice. If not concluded within that 6 month period, a report will be put to committee with a likely recommendation that the application be refused.

5 LEGAL AGREEMENT: Consent shall not be issued until a suitable legal agreement has been concluded in relation to tram contributions.

The legal agreement should be concluded within 6 months of the date of this notice. If not concluded within that 6 month period, a report will be put to committee with a likely recommendation that the application be refused.

6. A detailed assessment of Daylight Privacy and Sunlight shall be required to accompany each AMC application for residential development.

7. LEGAL AGREEMENT: Consent shall not be issued until the applicant has entered into a suitable legal agreement to ensure that affordable housing is provided in accordance with Council policy.

8. LEGAL AGREEMENT: Consent shall not be issued until a suitable legal agreement has been concluded to make a financial contribution to Children and Families to alleviate school accommodation pressures in the local catchment area.

9. Obstacle lights shall be placed on cranes or other construction equipment to be used in the development. The obstacle lighting scheme shall be implemented for the duration of the construction period. These obstacle lights must be steady state red lights with a minimum intensity of 200 candelas. Periods of illumination of obstacle lights, obstacle light locations and obstacle light photometric performance must all be in accordance with the

requirements of 'CAP168 Licensing of Aerodromes' (available at www.caa.co.uk/srg/aerodrome).

10. The development is close to the aircraft taking off from or landing at the aerodrome. Lighting schemes required during construction and for the completed development shall be of a flat glass, full cut off design, mounted horizontally, and shall ensure that there is no light spill above the horizontal.

11. Prior to the demolition of any buildings in the site, or any tree felling, further ecological survey including bat surveys will be required.

12. Prior to the submission of an AMC application the applicant shall seek agreement of Scottish Water regarding disposal of foul water.

- moved by Councillor Perry, seconded by Councillor Lunn

Amendment 1

To refuse planning permission in principle for the following reasons:

1) The proposal was contrary to Srategic Development Plan policy 7 in that the proposal would not be in keeping with the rural character of the area and would undermine the green belt objectives.

2) The proposal was contrary to Rural West Edinburgh Local Plan Policy E5 in respect of Development in GB/Countryside restriction, as it would result in a non conforming use.

3) The proposal was contrary to Rural West Edinburgh Local Plan Policy E7 in respect of development on prime agricultural land as it would result in the loss of a finite natural resource.

4) The proposal was contrary to Rural West Edinburgh Local Plan Policy TRA1 in respect of mode of access, as the proposal had poor connectivity to public transport network.

5) The proposal was contrary to the Second Proposed Local Development Plan Policy Env 11 in respect of Special Landscape Areas, as the proposal would result in a change of the rural character of this special landscape area.

6) The proposal was contrary to the Second Proposed Local Development Plan Policy Env 10 in respect of Development in the Green Belt and Countryside, as it would result in a non conforming use in the green belt.

7) The proposal was contrary to Rural West Edinburgh Local Plan Policy TRA2 in respect of capacity of road network, as the occupants of the development would be car reliant.

8) The proposal was contrary to Rural West Edinburgh Local Plan Policy E8 as it would affect the setting of Areas of Outstanding Landscape Quality and would impact on the long views to the Pentlands designated Area of Great Landscape Value.

9) The granting of planning permission would be premature and would not accord with the provisions of paragraph 34 of Scottish Planning Policy in respect of this.

Informatives

It should be noted that prior to a decision notice being issued, this application should be notified to Scottish Ministers.

- moved by Councillor Hinds, seconded by Councillor Day

Amendment 2

To agree not to uphold the decision of the Development Management Sub-Committee on 16 May 2016 and to refuse planning permission for Gogar Station Road, Edinburgh (Land 1000 Metres NW SW And West Of Hermiston Junction M8), 15/04318/PPP for the following reasons;

A. Setting aside nine material planning reasons as set out by the Head of Planning in the report to the Development Management Sub-Committee on the 16 May 2016;

1) The proposal was contrary to Strategic Development Plan policy 7 in that the proposal would not be in keeping with the rural character of the area and would undermine the green belt objectives;

2) The proposal was contrary to Rural West Edinburgh Local Plan Policy E5 in respect of Development in GB/Countryside restriction, as it would result in a non conforming use;

3) The proposal was contrary to Policy E7 of the Rural West Edinburgh Local Plan in relation to the Protection of Prime Agricultural Land as it would result in the permanent loss of prime agricultural land;

4) The proposal was contrary to Rural West Edinburgh Local Plan Policy TRA1 in respect of mode of access, as the proposal had poor connectivity to public transport network;

5) The proposal was contrary to the Second Proposed Local Development Plan Policy Env 11 in respect of Special Landscape Areas, as the proposal would result in a change of the rural character of this special landscape area;

6) The proposal was contrary to the Second Proposed Local Development Plan Policy Env 10 in respect of Development in the Green Belt and Countryside, as it would result in a non conforming use in the green belt;

7) The proposal was contrary to Rural West Edinburgh Local Plan Policy TRA2 in respect of capacity of road network, as the occupants of the development would be car reliant;

8) The proposal was contrary to Rural West Edinburgh Local Plan Policy E8 as it would affect the setting of Areas of Outstanding Landscape Quality and would impact on the long views to the Pentlands designated Area of Great Landscape Value;

9) The granting of planning permission would be premature and would not accord with the provisions of paragraph 34 of Scottish Planning Policy in respect of this;

B. Removing planning Conditions 19, 20 and 21 that were recommended by planning officers at the pre-determination hearing;

AND

C. Leaving pedestrian and cycle connectivity to the site in question, which could have been secured through conditions and informatives as follows;

Conditions

i. a) No development shall take place until details of a pedestrian and cycle connection for the purpose of crossing the City Bypass between the application site and Edinburgh Park is submitted and approved by the Council as planning authority.

b) The aforementioned connection shall be installed and operational prior to the occupation of the first residential unit forming part of this planning permission.

Reason: To ensure satisfactory pedestrian and cycle connectivity to the city and public transport.

ii. Details of a segregated cycleway running through the site between the Union Canal towpath and RBS at Gogarburn shall be submitted along with the first application for approval of matters specified in condition.

Reason: To ensure safe commuting by cycle across the site.

Informative

LEGAL AGREEMENT: A construction traffic management plan that shall promote safety of pedestrians and cycles on Gogar Station Road by controlling traffic on it shall be submitted and approved by the Head of Planning and Transport.

- moved by Councillor Burgess, seconded by Councillor Corbett

In accordance with Standing Order 20(7), Amendment 2 was accepted as an addendum to Amendment 1.

Voting

The voting was as follows:

For the motion	-	35 votes
For amendment 1 (as adjusted)	-	17 votes

Decision

To approve the motion by Councillor Perry.

(References – Development Management Sub-Committee 16 May 2016 (item 1); referral report from the Development Management Sub-Committee, submitted.)

Declaration of Interests

Councillors Barrie declared a non-financial interest as a Director of EDI

Councillors Aiken and Bagshaw declared a non-financial interest as they had made comments on the application and left the meeting during the Council's consideration of the above item.

12 Edinburgh Remakery – Motion by Councillor Corbett

The following motion by Councillor Corbett was submitted in terms of Standing Order 16:

"Council congratulates social enterprise Remade in Edinburgh on the launch of the Edinburgh Remakery at the foot of Leith Walk, Scotland's first repair and re-use hub; welcomes the role of the Remakery in waste prevention, with a target of diverting 240 tonnes from landfill, and in demonstrating that repair and re-use can sustain business, jobs and training; notes further opportunities for the City Council to complement the work of the Remakery; and highlights the leadership of Remade Director Sophie Unwin and all the staff and volunteers at Remade for bringing the project to this stage."

Decision

To approve the motion by Councillor Corbett.

13 Hibernian Football Club – Scottish Cup – Motion by Councillors Munro and Tymkewycz

The following motion by Councillors Munro and Tymkewycz was submitted in terms of Standing Order 16:

"Council congratulates Hibernian Football Club on their historic cup win. Council thanks the management, staff and of course the players on this fantastic achievement.

Council commends the fans and supporters, the Council staff, emergency service staff and other parties involved in the highly successful street celebrations and procession which was enjoyed throughout Edinburgh and Leith on Sunday.".

Decision

To approve the motion by Councillors Munro and Tymkewycz.

14 Royal Botanic Garden Cottage – Motion by Councillor Barrie

The following motion by Councillor Barrie was submitted in terms of Standing Order 16:

"Council welcomes the reopening to the public on 10 May 2016, of the Botanic Cottage at the Royal Botanic Gardens Edinburgh (RBGE).

This makes the cottage now both the RBGE's oldest and newest building and acknowledges that it was originally completed on 10 May 1766 and previously stood at the entrance to the former site on Leith Walk.

Council is proud to report that the historic building was rescued from demolition in 2008, meticulously dismantled stone by stone and rebuilt at the new RBGE site in Inverleith using traditional techniques and historically accurate materials.

Council also should note that it was saved following a community campaign, led by the Botanic Cottage Trust, and with support from individual donors and funding bodies, including the Heritage Lottery Fund.

Lastly, Council welcomes that, as part of RBGE's community education programme, the cottage will be used as a state-of-the-art centre for community and education initiatives, and further welcomes that groups of all ages will be able to use the facility as a space for classes, workshops, demonstrations, talks and meetings."

Decision

To approve the motion by Councillor Barrie.

15 Chief Executice Election Remuneration – Motion by Councillor Heslop

The following motion by Councillor Heslop was submitted in terms of Standing Order 16:

“Council notes the fact that returning officers, Council Chief Executives, responsible for organising elections are paid considerably extra on top of what many would consider to be extremely generous salaries, especially in a period of budgetary restraint;

Further notes reports that, following the 2016 Scottish Parliament election and the EU referendum in June, returning officers across the country could benefit to the sum of almost £500,000 between them;

Recognises that returning officers who are Chief Executives of local authorities have an extremely important role, but one which should not be regarded as more important than the many people who spend time between 7am and 10 pm in halls and schools on election days explaining to the public the various details of voting papers;

Agrees with the reported comments of Malcolm Burr, the chair of the Society of Local Authority Chief Executives Scotland, that "the outdated system of remuneration requires a review" and of Willie Sullivan, the director of the Electoral Reform Society Scotland, that the running of elections should be "added to the job descriptions of local authority Chief Executives as an integral part of their role";

Therefore requests a review of this expenditure and asks the Council Leader to write to the Cabinet Office and other appropriate bodies in terms of this motion to add Edinburgh's voice to calls for such a review.”

Decision

To approve the motion by Councillor Heslop.

Appendix 1

(As referred to in Act of Council No 2 of 2 June 2016)

QUESTION NO 1

By Councillor Burgess for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 2 June 2016

Question

Given the recent changes to Scottish Government Ministerial portfolios, whether the Council will redouble its efforts to secure enabling powers for the introduction of a Transient Visitor Levy (hotel bed tax).

Answer

Yes, meeting requests have already been sent to Ministers

Supplementary Question

Thank you Lord Provost. My written question in advance of this meeting was “Given the recent changes to Scottish Government Ministerial portfolios, whether the Council will redouble its efforts to secure enabling powers for the introduction of a Transient Visitor Levy (hotel bed tax).”, and the answer from Councillor Rankin, the Convener of Finance and Resources was “Yes, meeting requests have already been sent to Ministers.”

So I thank the Convener of Finance and Resources for that positive response. He will be aware that having first formally proposed that the Council adopt a visitor levy almost 5 years ago, Green Councillors are very keen to see progress as are I understand the majority of our Councillor colleagues here.

Will the Convener agree to update the Council as soon as possible on the progress of his meetings with Ministers about a visitor levy for the City?

Supplementary Answer	I thank Councillor Burgess for his question. Yes I'd be very happy to do that. The letters have gone off from my office to the Cabinet Secretary for Finance and the Local Government Minister, and they both have an interest in this matter as you can imagine. I think you'll find there is a clear majority in the Chamber for taking this matter forward to having an early discussion with the relevant Ministers and I'll be happy to keep members informed about progress.

QUESTION NO 2

By Councillor Bagshaw for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 2 June 2016

Question **(1)** How many full-time equivalent posts have there been in the Council's Active Travel team prior to the transformation process and how many will there be in the same team after that process is completed?

Answer **(1)** Based on Council permanent posts and excluding management input, there are 3.75 FTE posts in the existing active travel team. Despite significant Budget pressures, in the new structure, there is an active travel team, and again excluding management input from the Road Safety and Active Travel manager there are now **4 FTE posts**. In addition, under the same manager there are 2 road safety and active travel liaison officers and their role is to work with the Localities transport teams on road safety and active travel projects and initiatives.

Question **(2)** What impact are any changes likely to have on the delivery of cycling and walking projects at neighbourhood and central level?

Answer **(2)** There has been considerable consultation, both within the Council and from external stakeholders including Spokes and Sustrans. The new structure has been configured and resourced as far as possible taking feedback into account.

The new arrangements, which embrace both a central strategic active travel team, linked through road safety and active travel liaison officers to Localities transport teams.

These arrangements are likely to have a positive impact on delivery of cycle and walking projects, drawing on the core strategic direction and expertise combined and informed by Locality and community knowledge and requirements.

QUESTION NO 3

By Councillor Booth for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 2 June 2016

In relation to the Council's Open Space Strategy and Action Plans

Question **(1)** When was this strategy originally approved by council committee?

Answer **(1)** The Open Space Strategy and 12 Action Plans were approved by the Policy and Strategy Committee on 28 September 2010 and by the Planning Committee on 30 September 2010. The reports can be found on the Council Papers online.

Question **(2)** When were the strategy and action plans last reviewed and updated by Council Committee?

Answer **(2)** The Open Space Strategy and Audit are currently in the process of being reviewed. A Project Initiation Document was approved in June 2015. The collection and mapping of Audit Data is almost complete. A cross-service Board has been established and will next meet on 15 June 2016. Focussed workshops with internal and external stakeholders are underway with a view to preparing a draft for consultation. It is anticipated that the draft for consultation will be reported to the Planning Committee in August 2016.

Question **(3)** When was the last progress report on delivery of the strategy and action plans received by Council Committee?

Answer **(3)** The first annual monitoring report was reported to the Planning Committee in December 2011. The second monitoring report was in the format of a Planning Information Bulletin and was published in February 2013. Please find attached the Feb 2013 Planning Information Bulletin pdf, which also provides a link to the first monitoring report (please note that the link to the Open Space webpage contained in the PIB no longer works, but the page is still available on the Council website).

Question **(4)** When will the strategy and action plans next be reviewed by Council Committee?

Answer **(4)** Please see answer (2). It is proposed to report a draft for consultation of the reviewed Open Space Strategy to the Planning Committee in August 2016.

Question **(5)** When will the next progress report on delivery of the strategy and action plans be received by Council Committee?

Answer **(5)** See answers (2) and (4) above.

Open Space Strategy Monitoring

February 2013

Context

The Council approved its first Open Space Strategy in September 2010. The Strategy aims to coordinate the way the Council meets Edinburgh's open space needs and protects and develops the city's network of open spaces. The Strategy will be reviewed and updated every five years. It was informed by an Open Space Audit and has 12 action plans, one for each Neighbourhood Partnership area.

The Strategy identifies actions to create or improve various types of open space. Its implementation is monitored annually. The first monitoring report was presented to the Council's Planning Committee in December 2011. This and future monitoring reports will be presented in the form of Planning Information Bulletins.

The Open Space Strategy and associated Action Plans provide the policy basis for the Council to secure developer contributions to enable improvements to be carried out. Notable contributions in 2012 include The Drum play park (£9,840) and Dalry Cemetery Action (£5,000).

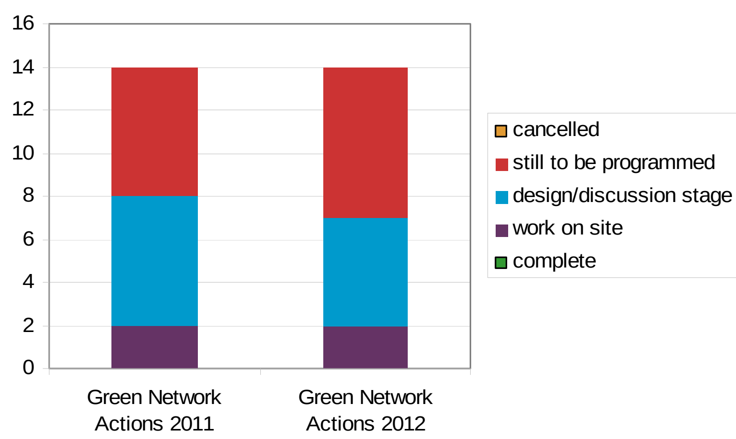
Open Space Actions

The Strategy covers five types of open space: Green Network; Large and Local Green Space; Playing Fields; Play Space, and Allotments and Community Gardens.

Green Network

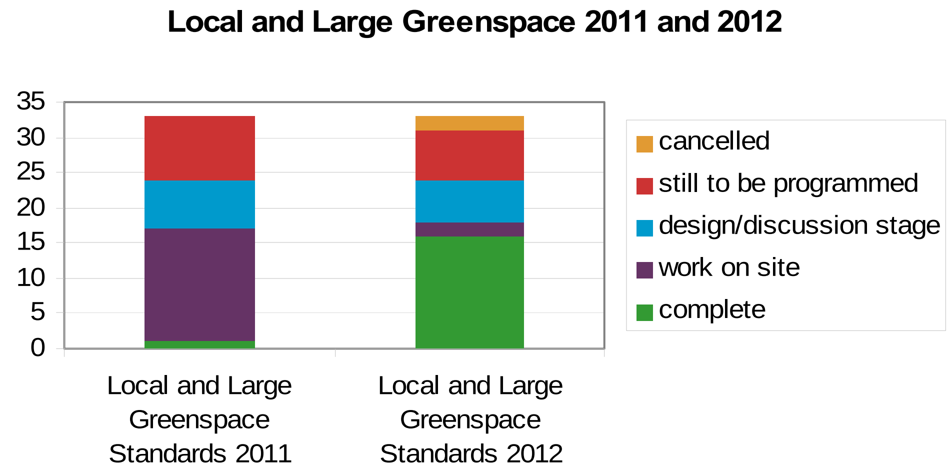
The Open Space Strategy identified 14 actions relating to the connectivity and management of the network. In 2012, work started to create green corridors at the Powderhall/ Abbeyhill loop railway lines.

Green Network 2011 and 2012



Local and Large Green Space
There are 33 Local and Large Green Space actions identified in the Open Space Strategy, with combined value of around £5.4m. This excludes acquisition and maintenance of land and new parks in the Waterfront.

Monitoring confirms eight completed actions, including improvements to Colinton Mains Park and the Braid Hills. Two actions were underway and six were at the design or discussion stage. Five actions are still to be programmed and two have been cancelled.



Playing field Actions
The Open Space Strategy identified 12 options for upgrading sites. In 2012, two projects have been upgraded, at Saughton Park and Ainslie Park, bringing to four the total of multi-pitched venue playing fields delivered since adoption.

Play Space Actions
The Play Area Action Plan was adopted in June 2012. It guides the improvement of existing play areas, sets out a vision for future play area provision and prioritises future investment. Excluding land maintenance, 40 actions have been identified with total costs estimated at around £1.6m.

Monitoring shows: 21 actions still to be programmed; 6 actions at design or discussion stage; 2 actions with work on site, and 11 completed actions.

Allotments and Community Garden Space
No new allotments or community garden spaces were delivered in the last year. However, project preparation work enabled the expected delivery of new allotments at Kirkliston and Baronscourt in 2013.

More detailed information

Open Space Strategy web page:

http://www.edinburgh.gov.uk/info/207/planning-policies/1046/open_space_strategy

Contact

For further information, please contact Ben Wilson, Local Planning Policy team on 0131 469 3411 or ben.wilson@edinburgh.gov.uk

QUESTION NO 4

By Councillor Mowat for answer by the Vice-Convener of the Health, Social Care and Housing Committee at a meeting of the Council on 2 June 2016

Stair Lighting

Question **(1)** What consideration was given to the serious concerns raised by the Equality Impact Assessment which stated that the proposed changes will have a serious impact on a number of groups with protected characteristics?

Answer **(1)** The Equality and Rights Impact Assessment (EIRA) 2016-2019 Budget Report provided a summary of the relevance and proportionality assessment of the budget proposals which the Finance and Resources Committee of 24 September 2015 considered. Committee recommended that a full EIRA to be carried out.

A full EIRA was drafted and the following organisations were invited to meet with Council officers to discuss the proposal and the subsequent impact.

- Age Scotland.
- Royal National Institute for the Blind.
- Edinburgh Women's Aid.
- Ferrylea Day Centre for Older People.
- Shakti.

None of these organisations responded to the initial request or subsequent reminders. The EIRA was concluded.

Question **(2)** Who owns the stair lighting infrastructure – it was installed by the Council and will now be maintained by private individuals – does this expose the Council to any risk or liability?

Answer **(2)** The owners in the block own the light installations. This should be confirmed in their deeds and that they have shared ownership. The Council have been maintaining these lights on the owners' behalf at no charge.

Question **(3)** Should the Council require there to be competent management arrangements in place?

If so, how will this be enforced and has the Council made residents aware of this requirement?

Answer **(3)** Owners are under a statutory duty (a) to provide and maintain lighting in the common property to the satisfaction of the Council, and (b) to light and extinguish the lights in the common property at such times as the Council may require (by order).

The statutory duties and powers in this regard are set out in Sections 90, 91 and 101 of the Civic Government Scotland Act 1982.

Question **(4)** Will the Council have any liability if there is an accident from poorly maintained stair lights?

Has the Council taken legal advice on these issues?

Answer **(4)** The Council's Legal Services has advised that occupiers/owners are under a duty of care to those who enter their premises by operation of the Occupiers' Liability (Scotland) Act 1960. This duty has been in place since before the 1982 Act introduced the statutory duty regarding stairlighting. Accordingly, occupiers/owners will be liable for any failure to maintain adequate stairlighting.

It remains a possibility the Council could be challenged regarding the discontinuation of the stairlighting service, however, having followed a clear programme of consultation, and given clear instructions to occupiers, this risk will be minimised.

It remains a possibility the Council could be challenged regarding lighting in those properties where the Council continues to provide the service.

Advice has previously been sought from external solicitors in this regard.

Question **(5)** Stair lighting was commonly considered an extension of the street lighting outside – hence its provision by the Council - is this the legal position and has this been considered as part of the changes implemented?

Answer **(5)** Street Lighting costs are funded from a combination of Fees and Charges, Government Grants and an element of Council Tax. The repair and maintenance of Streetlighting is a statutory duty.

The Council has a statutory power, but is not under a statutory duty, to provide, repair or maintain stairlighting. The costs for this service to date are met by the Council's general services fund.

This is a service which the majority of owners in Edinburgh already pay for via factoring services or by engaging a private contractor, trusted trader to carry this out on their behalf.

Question **(6)** Can residents upgrade their own stair lighting?

Answer **(6)** In fully owned blocks the owners will require to seek collective agreement between them to upgrade the stairlighting.

In a shared ownership block where the Council has at least one tenant, the stair lights are being upgraded to LED and maintenance will continue to be carried out in these blocks.

Question **(7)** Who is going to be responsible for changing the timer from summer time to winter time to reduce electricity use in the summer when the days are longer?

Answer **(7)** Some systems will alter automatically otherwise the owners will become responsible for engaging an electrical contractor to do so.

Question **(8)** What is to stop people tapping into the Council's electricity supply and increasing the costs to the Council?

Answer **(8)** Any action to tap into the supply in this way would be a criminal act.

Question **(9)** Is the Council exposed to any liability given that they have ceased to maintain the stair lighting with less than 8 weeks' notice should someone fall on a dark stair – 8 weeks is not a long time if tenants are dealing with multiple landlords in a stair – some of whom may be living abroad.

Answer **(9)** The Council will continue to address and repair any stair light failures until this service is withdrawn.

Occupiers/owners are under a duty of care to those who enter their premises by operation of the Occupiers' Liability (Scotland) Act 1960. This duty has been in place since before the 1982 Act introduced the statutory duty regarding stairlighting.

It remains a possibility the Council could be challenged regarding the discontinuation of the stairlighting service, however, having followed a clear programme of consultation, and given clear instructions to occupiers, this risk will be minimised.

It remains a possibility the Council could be challenged regarding lighting in those properties where the Council continues to provide the service.

Question **(10)** Please provide a breakdown of the costs of providing this service with a breakdown of provision and maintenance costs to

a) All households

b) To private stairs only

c) detailed savings expected

Answer **(10)** Breakdown of costs as requested:

a) All Households – £ 2,100,000.00

b) Private Stairs only - £1,000,000.00

c) Savings expected - £1,000,000.00

- The Council will eliminate the majority of stair lighting maintenance costs for at least the next 5 years where the stair lighting is fully CEC owned or part of a mixed tenure block, as the existing fittings are being replaced with LED lights.

- There will be no maintenance costs for private stairs as the Council will no longer be responsible..

Supplementary Question

I thank the Vice-Convener for his answer. In it you refer that the stairlighting infrastructure, which was installed by the Council and is owned by the owners of the stair, could you indicate whether this is a widespread belief. My studies or my research into this has indicated that most owners of the stairs in the New Town and the Old Town are not aware that they are responsible and own their stair lighting, that this not mentioned in the deeds which were mostly written prior to the installation or indeed the creation of the electric light and whether this exposes us to further risk and are you satisfied that we have done enough research into ongoing liabilities into this matter? Thank You.

Supplementary Answer

Can I thank Councillor Mowat for her supplementary question. I don't have an answer for that but I'm happy to find that out. I think Council's taken the appropriate legal advice before we made the decision to transfer the service but I'm happy to come back on the specifics she asked.

QUESTION NO 5

By Councillor Rust for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 2 June 2016

Question	**(1)**	Has there been any discussions by the Council and Council Officers in relation to the future of Lothian Chambers?
Answer	**(1)**	Proposals are being developed and will be brought to Finance and Resources Committee by September 2016
Question	**(2)**	Are there any current plans to dispose of Lothian Chambers through sale, lease or otherwise?
Answer	**(2)**	A report on the potential disposal options for Lothian Chambers will be presented to the Economy Committee in September 2016.
Question	**(3)**	What viewings of Lothian Chambers have taken place by interested parties?
Answer	**(3)**	There have been no formal viewings.

Supplementary Question

I thank the Convener for his slightly cagey response. In terms of the answer to Question 3, I'd asked "what viewings", and we have the response saying "There have been no formal viewings."

Could he please provide Council with a definition of "formal viewings" and secondly, what informal viewings have taken place.

And finally, given it's one of the City's historic civic buildings, has the Lord Provost been consulted on the proposals.

Supplementary Answer

I thank Councillr Rust for his supplementary. We are at an early stage here, as far as we've got is an outline business case, and we have the options you'd expect which is to go with the statust quo or to lease or to sell, and none of these options have been excluded at this stage. As for what constitutes a "formal viewing", well , I take that to be when we have members of our property service to escort interested parties around the building and show them what its features are and those people that come around can decide whether or not it is of interest to them as a serious purchaser.

As for “informal”, I’ve no idea, people can go in to the building, I imagine they can walk around and have a look at their own account, but that’s where we are and I think it’s a rather early stage. I don’t think that, I’m not aware that the Lord Provost has been consulted at this stage, perhaps he can answer that himself.

Lord Provost I can answer that, whether I’ve been consulted or have consulted on the subject, I’m certainly aware of the matter and have been looking at it closely.

Appendix 2

(As referred to in Act of Council No 4 of 2 June 2016)

APPOINTMENTS FOR 2016/2017

CONVENERS AND VICE CONVENERS OF COMMITTEES

EXECUTIVE COMMITTEES		
Corporate Policy and Strategy (Leader and Deputy Leader of the Council as Convener and Vice Convener)	Convener: Vice-Convener:	Councillor Burns Councillor Ross
Communities and Neighbourhoods (Capital Coalition members)	Convener: Vice-Convener:	Councillor Child Councillor Ritchie
Culture and Sport (Capital Coalition members)	Convener: Vice-Convener:	Councillor Lewis Councillor Austin Hart
Economy (Capital Coalition members)	Convener: Vice-Convener:	Councillor Barrie Councillor Munro
Education, Children and Families (Capital Coalition members)	Convener: Vice-Convener:	Councillor Godzik Councillor Fullerton
Finance and Resources (Capital Coalition members)	Convener: Vice Convener:	Councillor Rankin Councillor Bill Cook
Health, Social Care and Housing (Capital Coalition members)	Convener: Vice-Convener:	Councillor Ricky Henderson Councillor Day
Transport and Environment (Capital Coalition members)	Convener: Vice-Convener:	Councillor Hinds Councillor McVey
OTHER COMMITTEES		
Governance, Risk and Best Value (Conservative Group member as Convener)	Convener:	Councillor Mowat
Police and Fire Scrutiny Committee	Convener: Vice-Convener:	Councillor Bill Henderson Councillor Redpath

Leadership Advisory Panel (Leader of the Council as Convener)	Convener:	Councillor Burns
Petitions (Green Group member as Convener)	Convener:	Councillor Booth
Pensions (Capital Coalition member as Convener)	Convener:	Councillor Rankin
Planning/Development Management Sub	Convener: Vice-Convener:	Councillor Perry Councillor Lunn
Regulatory/Licensing Sub	Convener: Vice Convener:	Councillor Bridgman Councillor Blacklock
Committee on the Jean F Watson Bequest	Convener:	To be appointed from agreed Committee membership
APPEALS		
Committee on Discretionary Rating Appeals	Convener:	To be appointed from agreed Committee membership
Personnel Appeals Committee	Convener:	Councillor Austin Hart
Committee on Pupil/Student Support	Convener:	Councillor Godzik
Placing in Schools Appeals		Independent Chairperson
Social Work Complaints Review Committee		Independent Chairperson
RECRUITMENT		
Recruitment Committee	Convener:	Council Leader

Appendix 3

(As referred to in Act of Council No 4 of 2 June 2016)

APPOINTMENTS FOR 2016/2017

MEMBERSHIP OF COMMITTEES

Corporate Policy and Strategy Committee – 15 members – 5 Labour, 4 Scottish National Party, 3 Conservative, 2 Green, 1 Scottish Liberal Democrat

Leader of the Council (Councillor Burns) (Convener)
Deputy Leader of the Council (Councillor Ross) (Deputy Convener)
Convener of the Communities and Neighbourhood Committee (Councillor Child)
Convener of the Culture and Sport Committee (Councillor Lewis)
Convener of the Economy Committee (Councillor Barrie)
Convener of the Education, Children and Families Committee (Councillor Godzik)
Convener of the Finance and Resources Committee (Councillor Rankin)
Convener of the Health, Social Care and Housing Committee (Councillor Ricky Henderson)
Convener of the Transport and Environment Committee (Councillor Hinds)
Councillor Rose
Councillor Mowat
Councillor Rust
Councillor Burgess
Councillor Main
Councillor Edie

EXECUTIVE COMMITTEES

Communities and Neighbourhoods Committee – 13 members – 5 Labour, 4 Scottish National Party, 2 Conservative, 1 Green, 1 Scottish Liberal Democrat

Councillor Child (Convener)
Councillor Gardner
Councillor Keil
Councillor Griffiths
Councillor Walker
Councillor Bridgman
Councillor Cairns
Councillor Lunn
Councillor Ritchie(Vice Convener)
Councillor Jackson
Councillor McInnes
Councillor Bagshaw
Councillor Edie
Leader (ex officio)
Deputy Leader (ex officio)

Culture and Sport Committee – 13 members – 5 Labour, 4 Scottish National Party, 2 Conservative, 1 Green, 1 Scottish Liberal Democrat

Councillor Austin Hart (Vice Convener)
Councillor Donaldson
Councillor Doran
Councillor Milligan
Councillor Munro
Councillor Cairns
Councillor Cardownie
Councillor Fullerton
Councillor Lewis (Convener)
Councillor Heslop
Councillor Paterson
Councillor Booth
Councillor Shields
Leader (ex officio)
Deputy Leader (ex officio)

Economy Committee – 13 members – 5 Labour, 4 Scottish National Party, 2 Conservative, 1 Green, 1 Scottish Liberal Democrat

Councillor Blacklock
Councillor Gardner
Councillor Keil
Councillor Milligan
Councillor Munro (Vice Convener)
Councillor Barrie (Convener)
Councillor McVey
Councillor Rankin
Councillor Ritchie
Councillor Paterson
Councillor Mowat
Councillor Corbett
Councillor Edie
Leader (ex officio)
Deputy Leader (ex officio)

Education, Children and Families Committee – 20 members – 7 Labour, 6 Scottish National Party, 4 Conservative, 2 Green, 1 Scottish Liberal Democrat

Councillor Austin-Hart
Councillor Child
Councillor Day
Councillor Godzik (Convener)
Councillor Milligan
Councillor Redpath
Councillor Robson
Councillor Bridgman
Councillor Fullerton (Vice-Convener)
Councillor Lunn
Councillor Key
Councillor Lewis
Councillor Tymkewycz
Councillor Aitken
Councillor Nick Cook
Councillor Jackson
Councillor Rust
Councillor Corbett
Councillor Main
Councillor Aldridge
Leader (ex officio)
Deputy Leader (ex officio)

Added Members for Education Matters

A Craig Duncan (Church of Scotland)
Ms Marie Allan (Roman Catholic)
Rev Thomas Coupar (The Robin Chapel)
Allan Crosbie (Teacher Representative)
John Swinburne (Teacher Representative)
Alexander Ramage (Parent representative)

Finance and Resources Committee – 13 members – 5 Labour, 4 Scottish National Party, 2 Conservative, 1 Green, 1 Scottish Liberal Democrat

Councillor Bill Cook (Vice Convener)
Councillor Griffiths
Councillor Godzik
Councillor Ricky Henderson
Councillor Walker
Councillor Dixon
Councillor Bill Henderson
Councillor McVey
Councillor Rankin (Convener)
Councillor Jackson
Councillor Whyte
Councillor Corbett
Councillor Edie
Leader (ex officio)
Deputy Leader (ex officio)

Health, Social Care and Housing Committee – 15 members – 5 Labour, 4 Scottish National Party, 3 Conservative, 2 Green, 1 Scottish Liberal Democrat

Councillor Day (Vice Convener)
Councillor Doran
Councillor Gardner
Councillor Griffiths
Councillor Ricky Henderson (Convener)
Councillor Bridgman
Councillor Howat
Councillor Key
Councillor Work
Councillor Aitken
Councillor Heslop
Councillor Rust
Councillor Booth
Councillor Burgess
Councillor Shields
Leader (ex officio)
Deputy Leader (ex officio)

Transport and Environment Committee – 15 members – 5 Labour, 4 Scottish National Party, 3 Conservative, 2 Green, 1 Scottish Liberal Democrat

Councillor Donaldson
Councillor Doran
Councillor Gardner
Councillor Hinds (Convener)
Councillor Keil
Councillor Barrie
Councillor Cardownie
Councillor Bill Henderson
Councillor McVey (Vice-Convener)
Councillor Jackson
Councillor McInnes
Councillor Nick Cook
Councillor Bagshaw
Councillor Booth
Councillor Aldridge
Leader (ex officio)
Deputy Leader (ex officio)

OTHER COMMITTEES

Governance, Risk and Best Value Committee – 13 members – 5 Labour, 3 Scottish National Party, 2 Conservative, 1 Green, 1 Scottish Liberal Democrat, 1 Independent

Councillor Child
Councillor Keil
Councillor Munro
Councillor Redpath
Councillor Robson
Councillor Dixon
Councillor Ritchie
Councillor Tymkewycz
Councillor Balfour
Councillor Mowat (Convener)
Councillor Main
Councillor Shields
Councillor Orr

Police and Fire Scrutiny Committee – 10 members – 3 Labour, 3 Scottish National Party, 2, Conservative, 1 Green, 1 Scottish Liberal Democrat

Councillor Child
Councillor Redpath (Vice-Convener)
Councillor Walker
Councillor Barrie
Councillor Bill Henderson (Convener)
Councillor Tymkewycz
Councillor Aitken
Councillor Mowat
Councillor Main
Councillor Edie

Petitions Committee – 10 members – 3 Labour, 3 Scottish National Party, 2 Conservative, 1 Green, 1 Scottish Liberal Democrat

Councillor Donaldson
Councillor Gardner
Councillor Keil
Councillor Dixon
Councillor Key
Councillor Lunn
Councillor Balfour
Councillor Paterson
Councillor Booth (Convener)
Councillor Edie

Pensions Committee – 5 members – 2 Labour, 1 Scottish National Party, 1 Conservative, 1 Independent (plus 2 external members)

Councillor Child
Councillor Bill Cook
Councillor Rankin (Convener)
Councillor Rose
Councillor Orr

External Members
John Anzani
Richard Lamont

Planning Committee/Development Management Sub-Committee
15 members – 6 Labour, 5 Scottish National Party, 3 Conservative, 1 Green

Councillor Blacklock
Councillor Child
Councillor Gardner
Councillor Keil
Councillor Milligan
Councillor Perry (Convener)
Councillor Cairns
Councillor Cardownie
Councillor Lunn(Vice Convener)
Councillor McVey
Councillor Ritchie
Councillor Balfour
Councillor Heslop
Councillor Mowat
Councillor Bagshaw

Planning Local Review Body – All members of the Planning Committee comprising three panels as follows:

Panel 1
Councillor Gardner
Councillor Milligan
Councillor Cardownie
Councillor Ritchie
Councillor Mowat

Panel 2
Councillor Blacklock
Councillor Perry
Councillor Cairns
Councillor McVey
Councillor Balfour

Panel 3
Councillor Child
Councillor Keil
Councillor Lunn
Councillor Heslop
Councillor Bagshaw

Regulatory Committee/Licensing Sub-Committee – 9 members – 3 Labour, 3 Scottish National Party, 2 Conservative, 1 Green

Councillor Blacklock (Vice-Convener)
Councillor Doran
Councillor Redpath
Councillor Bridgman (Convener)
Councillor Cairns
Councillor Lunn
Councillor Aitken
Councillor Heslop
Councillor Burgess

Leadership Advisory Panel – 5 members of the Council plus 3 statutory representatives, appointed by the Education, Children and Families Committee when considering education business

Leader of the Council (Convener)
Deputy Leader of the Council
Conservative Group Leader
Green Group Leader
Scottish Liberal Democrat Group Leader

Administration of Trust Funds

Committee on the Jean F Watson Bequest – 8 members plus one nominee of Friends of the City Arts Centre and two nominees of Director of Corporate Governance – 3 Labour, 2 Scottish National Party, 2 Conservative, 1 Green

Councillor Doran
Councillor Keil
Councillor Redpath
Councillor Lewis
Councillor Fullerton
Councillor Aitken
Councillor Paterson
Councillor Burgess

Reviews and Appeals

Committee on Discretionary Rating Relief Appeals – 5 members – 2 Labour, 2 Scottish National Party, 1 Conservative

Councillor Day
Councillor Griffiths
Councillor Tymkewycz
Councillor Work
Councillor Whyte

Personnel Appeals Committee – 9 members – 3 Labour, 3 Scottish National Party, 2 Conservative, 1 Green

Councillor Austin Hart (Convener)
Councillor Redpath
Councillor Walker
Councillor Barrie
Councillor Howat
Councillor Key
Councillor Aitken
Councillor Balfour
Councillor Burgess

Committee on Pupil and Student Support – 5 members and one religious representative – 2 Labour, 2 Scottish National Party, 1 Conservative

Councillor Godzik (Convener)
Councillor Keil
Councillor Fullerton
Councillor Key
Councillor Rust
One religious representative

Placing in Schools Appeals Committee – 3 persons drawn from three Panels as described in Committee Terms of Reference and Delegated Functions number 17

Panel 1 – All members of Council and religious and teacher representatives on the Education, Children and Families Committee

Social Work Complaints Review Committee – 3 persons drawn from a panel approved by the Council (including all Councillors who are not members of the Education, Children and Families or Health, Social Care and Housing Committees)

Recruitment

Recruitment Committee

Leader of Council (Convener), Deputy Leader of the Council, Convener of the Finance and Resources Committee and the appropriate Executive Committee Convener and relevant opposition spokespersons (or nominees)

Appendix 4

(As referred to in Act of Council No 4 of 2 June 2016)

APPOINTMENTS FOR 2016/2017

MEMBERS OF NEIGHBOURHOOD PARTNERSHIPS

ALMOND

Councillor Paterson
Councillor Shields
Councillor Work

CITY CENTRE

Councillor Doran
Councillor Mowat
Councillor Rankin

CRAIGENTINNY/DUDDINGSTON

Councillor Griffiths
Councillor Lunn
Councillor Tymkewycz

FORTH

Councillor Cardownie
Councillor Day
Councillor Jackson
Councillor Redpath

INVERLEITH

Councillor Bagshaw
Councillor Barrie
Councillor Hinds
Councillor Whyte

PENTLANDS

Councillor Aitken
Councillor Bill Henderson
Councillor Ricky Henderson
Councillor Heslop
Councillor Lewis
Councillor Rust

LEITH

Councillor Blacklock
Councillor Booth
Councillor Donaldson
Councillor Gardner
Councillor McVey
Councillor Munro
Councillor Ritchie

LIBERTON/GILMERTON

Councillor Austin Hart
Councillor Bill Cook
Councillor Nick Cook
Councillor Robson

PORTOBELLO/CRAIGMILLAR

Councillor Bridgman
Councillor Child
Councillor Walker

SOUTH CENTRAL

Councillor Burgess
Councillor Godzik
Councillor Howat
Councillor Main
Councillor McInnes
Councillor Orr
Councillor Perry
Councillor Rose

SOUTH WEST

Councillor Burns
Councillor Corbett
Councillor Dixon
Councillor Fullerton
Councillor Key
Councillor Milligan
Councillor Wilson

WESTERN EDINBURGH

Councillor Aldridge
Councillor Balfour
Councillor Cairns
Councillor Edie
Councillor Keil
Councillor Ross

Appendix 5

(As referred to in Act of Council No 4 of 2 June 2016)

APPOINTMENTS FOR 2016/2017

JOINT COMMITTEES AND BOARDS, THE LICENSING BOARD AND LOTHIAN AND BORDERS COMMUNITY JUSTICE AUTHORITY

Lothian Valuation Joint Board/Lothian Electoral Joint Committee – 9 members – 3 Labour, 3 Scottish National Party, 2 Conservative, 1 Green

Councillor Ricky Henderson
Councillor Doran
Councillor Keil
Councillor McVey
Councillor Lunn
Councillor Work
Councillor McInnes
Councillor Rust
Councillor Bagshaw

Licensing Board – up to 10 members – 4 Labour, 3 Scottish National Party, 2 Conservative, 1 Green

Councillor Day
Councillor Milligan
Councillor Redpath
Councillor Walker
Councillor Barrie
Councillor Bridgman
Councillor Work
Councillor Balfour
Councillor Nick Cook
Councillor Booth

SEStran (South East of Scotland Regional Transport Partnership) – 5 members – 2 Labour, 2 Scottish National Party, 1 Conservative

Councillor Gardner
Councillor Hinds
Councillor Bill Henderson
Councillor McVey
Councillor Nick Cook

Lothian and Borders Community Justice Authority – 1 member

Substantive member	**Substitute member**
Convener of Health, Social Care and Housing Committee	Councillor Bill Cook

Integration Joint Board – 5 elected members – 2 Labour, 2 SNP, 1 Opposition Group

Councillor Griffiths
Councillor Ricky Henderson (Vice-Convener)
Councillor Howat
Councillor Work
Councillor Aitken

Shadow Joint Committee for Collaborative Road Services

Substantive Member	**Substitute Member**
Councillor Hinds	Councillor McVey

Item no 5.1

QUESTION NO 1

By Councillor Corbett for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2016

Question

What action is being taken to assist the Crown Office and Health and Safety Executive to ensure that full details are published into the outbreak of legionnaire's disease in Gorgie-Dalry in summer 2012?

Answer

Item no 5.2

QUESTION NO 2

By Councillor Booth for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2016

Question

How many hand-pushed litter barrows are in operation by the Council and what is the location/ route and hours of operation of each of these barrow beats?

Answer

Item no 5.3

QUESTION NO 3	**By the Councillor Booth for answer by the Leader of the Council at a meeting of the Council on 30 June 2016**

Question	What action is the city taking, both as a council and in cooperation with partner agencies and the voluntary sector, to welcome refugees and asylum seekers?
Answer	

Item no 5.4

QUESTION NO 4	**By Councillor Heslop for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 30 June 2016**

Question	By what date is the Council instructed report on the future of Juniper Green Village Hall due to be completed and made accessible to local elected members and community?

Answer

Item no 5.5

QUESTION NO 5		**By Councillor Rust for answer by the Convener of the Culture and Sport Committee at a meeting of the Council on 30 June 2016**
		Edinburgh Mela
Question	**(1)**	When was the CEC funding agreed for the Edinburgh Mela 2016 put on hold?
Answer	**(1)**	
Question	**(2)**	What are the reasons for the non-award of funding to date?
Answer	**(2)**	
Question	**(3)**	What discussions have taken place between CEC and the Mela since funding was put on hold?
Answer	**(3)**	
Question	**(4)**	Is CEC currently represented on the Board of Edinburgh Mela?
Answer	**(4)**	
Question	**(5)**	Is CEC supportive of the Edinburgh Mela 2016 taking place?
Answer	**(5)**	

Item no 5.6

QUESTION NO 6

By Councillor Rust for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 30 June 2016

Question **(1)** What was the cost of the extensive refurbishment and renovation of Lothian Chambers?

Answer **(1)**

Question **(2)** What annual rental does the Electoral Commission pay for lease of rooms at Lothian Chambers?

Answer **(2)**

Question **(3)** What share of the running costs of Lothian Chambers does the Electoral Commission pay?

Answer **(3)**

Question **(4)** What is the duration of the lease the Electoral Commission has?

Answer **(4)**

Question **(5)** For years 2013, 2014 and 2015 please list the number of:

(a) Weddings

(b) Civil Partnerships

(c) Citizenship Ceremonies

(d) Council committee meetings (including workshops/sub-groups)

(e) CEC Civic Functions

(f) Registrations of births and deaths,

to take place at Lothian Chambers

Answer **(5)**

Item no 5.7

QUESTION NO 7

By Councillor Whyte for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 30 June 2016

Question	**(1)**	What specific action has the Administration taken to develop Shared Services with other Public bodies/partnerships and what actions have been successful since 2012?
Answer	**(1)**	
Question	**(2)**	What savings and improved service efficiencies have been achieved in this period?
Answer	**(2)**	

Item no 5.8

QUESTION NO 8

By Councillor Main for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2016

Question		Can the department list all primary, secondary schools' within Edinburgh, including private schools, with school travel plans, and give with the dates when the original plan was first produced and when the plan was last reviewed?
Answer		
Question	**(2)**	Can the department list all schools Edinburgh that do not have school travel plans?
Answer	**(2)**	
Question	**(3)**	How often are schools required to review their travel plan?
Answer	**(3)**	

Item no 5.9

QUESTION NO 9

By Councillor Burgess for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 30 June 2016

Question

Can the Convenor indicate whether a formal submission has been made to the new Scottish Government ministerial team pressing the case for Scottish Government agreement that Edinburgh should have decision-making power over the introduction a Transient Visitor Levy and whether a formal reply has been received.

Answer

Leader's Report
the capital coalition

June 2016

EU Referendum

Following a long and hard-fought campaign, the people of the United Kingdom have spoken and expressed their collective wish to leave the European Union.

As Council Leader, my primary concern will continue to be ensuring the best possible quality of life for all the residents of Edinburgh. And unquestionably, maintaining close cooperation with both the Scottish, and UK Governments, will remain an essential element in achieving that goal.

There is just no doubt that it's been a busy few years for Scottish voters, now having been to the polls for the fifth time in a little over two years. And so, I'm pleased that so many people turned out to have their say on this pivotal decision – 73% here in Edinburgh. The Scottish Parliament Election had only just taken place when the countdown began for the EU Referendum, and it's heartening to see so many of our citizens participating in the democratic process.

It's down to the Council's Elections Team, and everyone else who supports the count process, that these events run so smoothly, and I would like to thank them once again for all their hard work.

In memory of Jo Cox

Yesterday's vote was, of course, horribly overshadowed by the murder of Labour MP, Jo Cox. I didn't personally know Jo, but had heard quite a bit about her through several mutual MP acquaintances.

Every single word I heard was positive, and it's obvious that Jo was a compassionate, public-spirited internationalist who made a massive impact on all those she met.

I'm certain I speak for the whole Council when I say my heart goes out to her close family and friends. All our thoughts are with them at this difficult time.

Independent inquiry chair announced

I'm sure everyone will be pleased to hear that the Chief Executive has appointed respected construction and procurement industry expert, John Cole, to lead the independent inquiry into school closures.

It is expected that the inquiry will commence in the early autumn once the schools are fully open and the contractual position with ESP has been concluded. The terms of reference have been agreed between the Chief Executive, the Council's Corporate Policy & Strategy Committee and John himself.

I am also pleased to report that five of our schools have opened earlier than expected, with the result that close to 5,000 pupils are now back in their own schools. According to Edinburgh Schools Partnership's programme of works, the remainder are scheduled to reopen in time for the start of next term on 17 August. Weekly updates will be available from the council website over the summer.

City Region Deal

Following the Chancellor's budget announcement in March, discussions are ongoing with the UK and Scottish Governments on securing a City Region Deal for Edinburgh. The deal contains proposals to accelerate growth in Scotland's capital city and wider regional economy that will benefit Scottish and UK economies while tackling inequalities and deprivation.

The City Region Deal proposals are being shaped around four interconnected programmes: innovation hubs; infrastructure investment; a regional housing programme; and cultural tourism investment.

Working in partnership with stakeholders in the business and academic communities is going to be crucial to the bid's success. The region's universities and colleges are at the heart of the bid development and I am delighted that to date over 300 businesses are now supporting it.

Keeping to our pledges

This month we will receive our six-monthly update on the progress of the 53 Capital Coalition pledges, which were established in 2012 to reflect our commitment to serving the city.

I'm pleased to see that we are making good progress on a number of key pledges, including our approach to financial planning, resolving issues around the Council's property services and investment in our schools.

However, we know there is still room for improvement, and we have every intention of focusing our efforts on priority areas over the coming months to ensure our pledges remain on track.

Social enterprises making their mark

I have just read Edinburgh Social Enterprise Network's Mapping Edinburgh's social enterprise sector in 2015 report, which details how the sector is growing and developing in the capital.

Over the last two years the number of social enterprises, which focus on social and environmental benefits, has shot up from 120 to more than 200, involving more than 8000 staff and volunteers and turning over £120m a year, compared to £44m in 2013.

This is fantastic news for such a worthwhile cause, and I look forward to working closely with the city's flourishing social entrepreneurs to enhance Edinburgh's services, communities and environment for everyone.

Compact Voice

Edinburgh's Third Sector is hugely diverse, consisting of charities, community Groups, social enterprises and voluntary organizations. These can be made up of paid staff and volunteers or completely run by volunteers whatever meets the needs of the organisation.

Did you know, there are around 4,000 organisations in the sector in Edinburgh with an income £2.15 billion delivering everything from walking groups to drug and alcohol support? 60% of organisations focus on prevention work, such as keeping people out of hospital and supporting young people and families.

If you're interested in finding out more about the Third Sector in Edinburgh, I'd recommend downloading Compact Voice 2015/16.

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EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

City of Edinburgh Council

10am, Thursday 30 June 2016

City of Edinburgh Council Performance Overview 2016

Item number	8.1
Report number	
Executive/routine	
Wards	

Executive summary

This paper provides the City of Edinburgh Council with an overview of performance for the year 2015/16 and identifies challenges for the year ahead.

This report provides a strategic overview of performance drawing from insight and analysis from a range of performance reports - including the Council Performance Dashboard, the Edinburgh Partnership Annual Performance Report, and the bi-annual Coalition Pledges Progress report - showing a number of areas where good progress has been made and highlighting areas for improvement.

The report also makes a number of proposals for further developing the Council's Performance Management Framework.

Links

Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All

Report

City of Edinburgh Council Performance Overview 2016

Recommendations

1.1 To note the contents of the report, particularly the areas of good progress and the areas requiring further improvement

1.2 To agree to the proposals for further development of the Performance Management Framework

Background

2.1 The Council Business Plan for 2016-20 forms the central part of a single planning framework that provides strategic direction and priorities for all Council services, partnership working, and delivery of services in localities.

2.2 The framework consists of three dimensions, covering the internal work of the Council, our approach to working with partner agencies and the way we work in communities and localities. Across all of these dimensions, the framework includes actions, work plans and monitoring activity to manage risks and ensure delivery of the Council's long term vision for the city.

2.3 The Council Business Plan and its associated actions are reviewed on an annual basis in line with the Council Budget approval process. In line with this review cycle, a mid-year review of the plan and its implementation is planned for scrutiny and discussion by CLT and elected members in September 2016. In advance of this review, this paper provides a summary of key strategic performance challenges highlighted by performance management reports for the period to June 2016. In doing so, the paper makes recommendations for areas of improvement to be included in the Business Plan, and for amendments to the performance management framework that accompanies the plan.

Main report

Key Performance Overview

3.1 At present, the Council's approach to performance management includes regular monitoring of progress against outcomes, actions and targets set out in each of these strategic plans. This includes:

- Monthly monitoring of performance at CLT and service level management teams against key indicators and targets;
- Six monthly reporting of performance to elected members through the Corporate Policy and Strategy Committee and executive committees;
- Six monthly reporting to the Edinburgh Partnership Board relating to progress against community plan outcomes and commitments; and
- Six monthly monitoring and reporting of progress against Capital Coalition Pledges.

3.2 While this provides a useful approach for targeted and specific performance monitoring, it does carry a risk that performance discussions can become fragmented and disconnected from their wider strategic context.

3.3 To address this risk, alongside these regular monitoring schedules, this report provides a strategic overview of performance drawing from insight and analysis from a range of performance reports, including:

- **Analysis of external, city wide progress and challenges** – drawn from Edinburgh Partnership Board progress reporting and other sources – Appendix 1 to this paper includes the June 2016 Edinburgh Partnership Annual Performance Monitoring report.
- **Analysis of Council service delivery performance and challenges** – drawn from the Council Performance Dashboard, service level performance reports and other sources. The Council Business Insight Dashboard is provided to elected members for scrutiny via the IBM Cognos ipad app, showing performance data for the period to April 2016. Alongside this dashboard, Appendices 2 and 3 to this report include the Council's annual

report on complaints management indicators, and the six monthly report on progress towards delivery of Capital Coalition Pledges.

- **Analysis of workforce management performance and challenges** – drawn from workforce monitoring, reporting and analysis, and
- **Analysis of financial Savings performance and challenges** – monitoring progress against delivery of savings targets set out in the Revenue Budget Framework and Council Business Plan.

3.4 Across the suite of Council performance reporting, data shows a number of areas where good progress has been made in the past year across all four of the strategic themes outlined in the Council Business Plan. These include improvements to school attainment and exclusions, increases in attendances at museums and galleries and Edinburgh Leisure facilities, increases in customer interaction with library services, continued good progress in Council Economic Development programmes to support the creation and safeguarding of jobs, as well as improvement in Council tax collection rates.

3.5 Alongside these, analysis from the reports attached also highlights a number of areas for improvement where performance has fallen below target, or where pressures expected over the next year mean that performance challenges are anticipated. Across these areas for improvement, a number of common themes include:

- **Inequality** – Data show persistent and, in some cases, increasing inequality across the city, both in terms of income as well as outcomes. These issues are strongly highlighted in data showing the gap between successful health and education outcomes for those living in deprived areas as compared with those across the whole of the city.
- **Customer and citizen experience** - Data show wide variations in experience and perception of Council services between different areas of the city and different customer and citizen types.
- **Locality insight** – Analysis of performance and customer characteristics shows differences in demographic pressures and service demand differences between the four localities.
- **Financial and workforce pressures** - Financial challenges including successful implementation of the current transformation programme and realising all of the approved savings.

3.6 Specific areas identified as requiring a focus for improvement include:

Improve Quality of Life

- The number of children who need to be looked after, is showing a reduction in the rate per 1,000, in response to the early intervention work but there remain specific challenges around foster placements with City of Edinburgh foster carers, use of out of council residential care and use of secure care.

- Improving attainment of young people with a particular focus on closing the attainment gap for Looked After Children and those who live in poverty.
- Improving the balance of care for older people so people are supported within their own home wherever possible. Performance in this area has improved since the start of 2016 but remains behind target.
- Reducing delayed discharge so that people are discharged from hospital as soon as possible with support to recover and regain their independence at home and in the community. Following a rise in numbers of people being delayed over the first half of the year, has shown a reduction over the last six months but performance has not met the target.
- Addressing issues of alcohol and drug misuse and alcohol related harm across the city.

Ensure Economic Vitality

- Addressing persistent levels of poverty and low income across the city, including core challenges around in-work poverty and child poverty.
- Addressing and mitigating stark inequalities in income, labour market participation, and labour market outcomes between communities in the city.

Build Excellent Places

- Reducing the number of Council tenants in rent arrears and the level of those arrears. This will be achieved by implementing a new debt recovery process, embedding rent collection in to the locality patchwork model and improving pre-tenancy advice.
- Tackling the acute shortage of affordable and low cost homes in the city and across the city region through the commitment to direct investment of £2 billion to deliver 16,000 new affordable and low cost homes over the next 10 years.
- Improving street cleanliness and the quality of public realm across the city. This includes work to encourage behaviour change in relation to dropping litter, fly-tipping, dog fouling and other environmental anti-social behaviour, as well as work to improve performance on road repairs.
- Reducing missed bin collection complaints through operational improvements. These include: rebalancing waste collection routes, ensuring consistency of collection staff to deliver a repeatable and achievable service, investigating in-cab devices to best support crews.

Deliver Lean and Agile Council Services

- Improving customer and citizen engagement and satisfaction with services.
- Delivery of approved savings, particularly those flagged as at risk. £132m of the £148m required savings have been identified to be achieved by 2019/20, some of which have attendant risks and challenges with mitigating actions.
- Managing workforce costs. The overall size of the Council workforce is reducing, but challenges remain to meet the £64m savings identified through organisational reviews, as well as challenges around overtime and agency expenditure.

3.7 Across all these themes and service area the Council Business Plan details the required savings and all of the actions taking place to ensure service delivery and implementation of current priorities. The new performance framework will provide the structure through which all savings, alongside tracking of service performance, will be monitored and reported to CLT and Elected Members, allowing tracking of the continuing effectiveness of service areas through transformation.

Future Development of the Framework

3.8 As a part of the mid-year review of the Council Business Plan in September 2016, it is proposed that the persistent performance challenges highlighted above are included as actions for priority improvement.

3.9 Alongside this review, it is proposed that the Council Performance Management framework is developed to incorporate the findings noted above. In particular it is proposed that regular reporting to CLT and elected members is reviewed to:

- Provide a core focus on the key service performance challenges highlighted above, in addition to current exception reporting procedures.
- Incorporate insight into city-wide challenges and priority outcomes, and to provide a more integrated approach to performance monitoring between Council and Community Planning Partners.
- Align with forthcoming Locality Improvement Plans to provide an integrated Council-wide approach to performance monitoring incorporating progress towards locality priorities.
- Provide clear focus on providing insight on inequalities in outcome between different areas of the city and different customer groups.
- Provide a more integrated view of performance, including assessment of financial performance, and workforce challenges alongside analysis of service performance.

3.10 Towards these proposals, further engagement with CLT and elected members will take place during the period to September 2016 in advance of discussions on content of a revised Council Business Plan and associated performance frameworks.

Measures of success

4.1 This paper provides the City of Edinburgh Council with an overview of performance against a range of performance measures for the year 2015/16 and identifies key issues for measuring success for the year ahead.

Financial impact

5.1 Financial impact is set out in the City of Edinburgh Council Business Plan 2016-20.

Risk, policy, compliance and governance impact

6.1 Risk, policy, compliance and governance impact is detailed in the City of Edinburgh Council Business Plan 2016-20.

Equalities impact

7.1 Equalities impact is detailed in the City of Edinburgh Council Business Plan 2016-20.

Sustainability impact

8.1 Sustainability impact is detailed in the City of Edinburgh Council Business Plan 2016-20.

Consultation and engagement

9.1 Measures, priorities and outcomes within the City of Edinburgh Council Business Plan 2016-20 have been developed in consultation with stakeholders and will continue to evolve based on continued engagement.

Background reading/external references

1. City of Edinburgh Council Business Plan 2016-20

Andrew Kerr

Chief Executive

Contact: Kirsty-Louise Campbell, Interim Head of Strategy and Insight

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

Links

Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All
Appendices	1. Edinburgh Partnership Progress Report June 2016 2. Capital Coalition Pledge Report October 2015 – April 2016 3. Complaints Analysis Annual Report 2015/16

The Edinburgh Partnership Progress Report

June 2016

THE EDINBURGH PARTNERSHIP

The Edinburgh Partnership Progress Report – June 2016

Welcome to the Edinburgh Partnership Progress Report. This report provides an update on how the partnership is performing against Key Performance Indicators set out in the Edinburgh Partnership Community Plan 2015-18. It also provides an update around the progress of actions and milestones reached on outcomes.

This report is structured around the four partnership outcomes:

- Edinburgh's economy delivers increased investment, jobs and opportunities for all
- Edinburgh's citizens experience improved health and wellbeing with reduced inequalities in health
- Edinburgh's children and young people enjoy their childhood and fulfil their potential
- Edinburgh's communities are safer and have improved physical and social fabric

The table below shows overall performance for each of the outcomes. Progress of actions and measurement of performance is described using a RAG (Red, Amber & Green) status.

Edinburgh's economy delivers increased investment, jobs and opportunities for all	Edinburgh's citizens experience improved health and wellbeing with reduced inequalities in health
2 KPIs are meeting target. **9** Actions are on track. **1** KPI just missed target. **2** Actions within tolerance. **0** KPIs and actions have missed target or are not met.	**0** KPIs are meeting target. **13** Actions are on track. **2** KPI just missed target. **5** Actions within tolerance. **2** KPIs have missed target. **0** actions have not been met.
Edinburgh's children and young people enjoy their childhood and fulfil their potential	**Edinburgh's communities are safer and have improved physical and social fabric**
1 KPI is meeting target. **13** Actions are on track. **2** KPIs just missed target. **7** Actions within tolerance. **1** KPI has missed target. **0** actions have not been met,	**9** KPIs are meeting target. **29** Actions are on track. **0** KPIs just missed target. **6** Actions within tolerance. **0** KPIs and actions have missed target or are not met.

Key Findings

Edinburgh's labour market continues to perform better than Scotland as a whole on key employment measures, however this hides some variation between communities and areas of deprivation. Further analysis shows persistent challenge around low pay. In terms of Health and Social Care, discharge delays continue to pose a major challenge, however there has been some improvement since this measure's peak in 2015. Meanwhile data on licensing shows below target performance for the year 2014/2015. Furthermore, issues remain with foster placements and use of Council residential and secure care. Finally, the number of children who need to be looked after (although showing a reduction in the rate per1,000) has been slow to respond to the early intervention work. Good progress however has been maintained for school leavers who are in a sustained positive destination.

This partnership progress framework will be reviewed over the next twelve months in line with statutory guidance and the development of a new city wide locality improvement plan. This review will include improved focus on monitoring progress towards priority outcomes, improved insight into local variations in performance challenges and improved integration with emerging locality improvement plans across the city.

Edinburgh Partnership performance and actions report June 2016

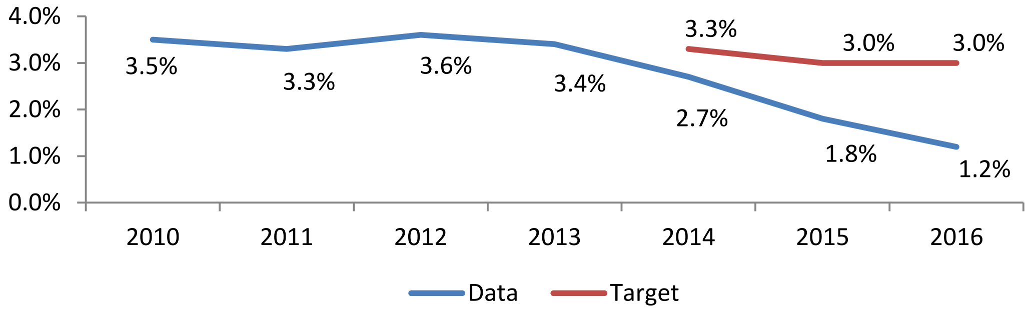
THE EDINBURGH PARTNERSHIP

Edinburgh's economy delivers increased investment, jobs and opportunities for all

Reducing unemployment & tackling low pay

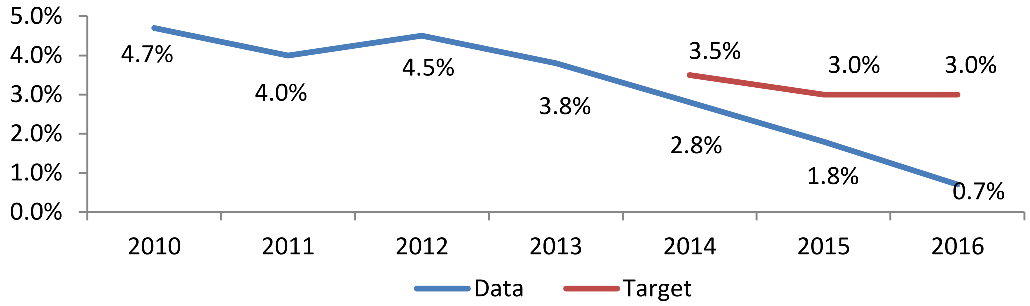
Indicator | **Performance** | **Comments**

Unemployment rate Jobseeker's Allowance (JSA) claimants as % of working-age population



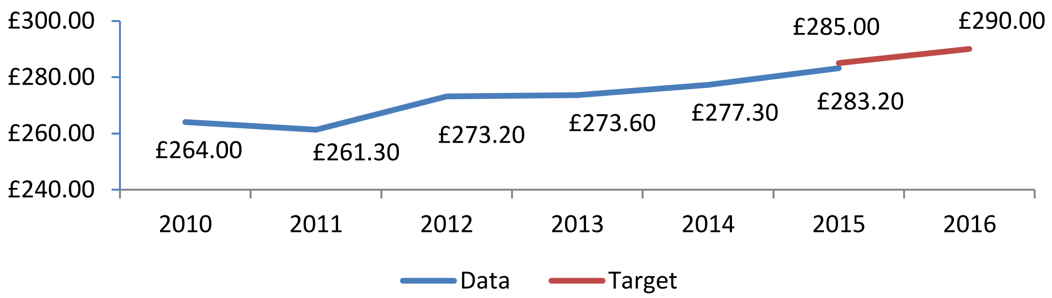
The (JSA) rate in Edinburgh was down 0.6 percentage point on March 2015. It is also lower than the rate recorded in Scotland. Due to welfare reform changes, however, this dataset no longer provides a clear measure of changes in unemployment across the city, and hides significant challenges in relation to underemployment across the city. Alternate proxy measures will be in place ahead of the next EP performance report.

Youth unemployment JSA claimants (under 24) rate



JSA claimant rates for 16-24 are also lower than Scotland and comparator cities. The rate in Edinburgh for March 2016 was 0.6%, which was down 1.1 percentage points from the same month in 2015. As noted above, due to welfare reform changes alternate proxy measures will be provided ahead of the next EP performance report.

Earnings of bottom 25 percentile of Edinburgh residents in employment (full and p/t)



A consultation is underway with partners and stakeholders on the indicators to ensure that these fit with the agenda and address the economic challenges related to growth. The indicators will focus on:

- Business growth
- Labour market and Skills growth.

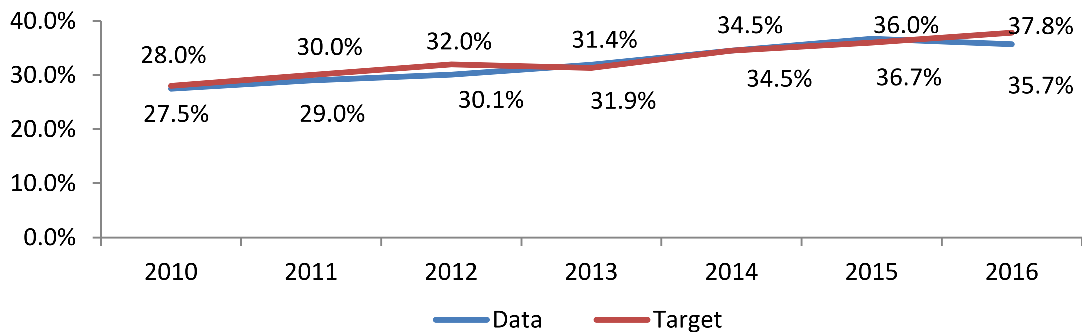
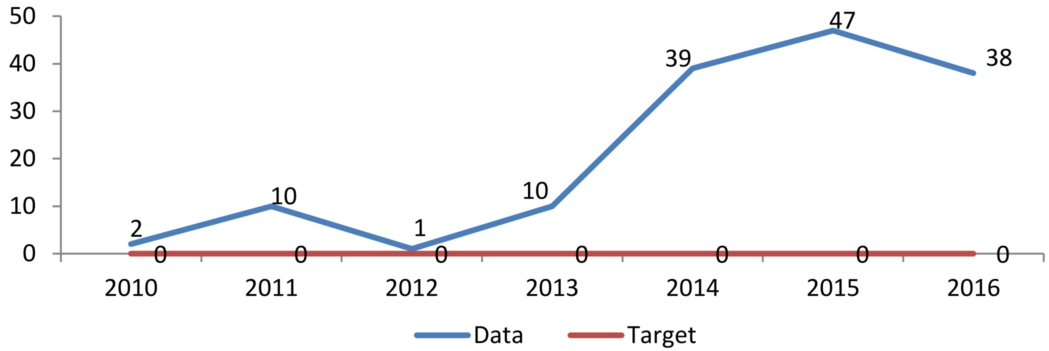
This indicator could be improved if there was an increase in commitment for the Living Wage from hospitality, retail, care and related service sectors.

Summary: The CSR framework was approved by the Economy committee in November 2015 with an action plan progress report due to One City Consortium by March 2016, along with an Influencer event to take place to launch the "Marketplace" model by the end of May. A progress report on Business involvement in school based activities will be taken to the Children and Families Committee in October with a Schools celebratory event to showcase good practice due to take place in February. A multi-agency approach was taken to target 800 unemployed residents to support them to gain and sustain employment by March 2016. The results of this are due soon.

Commitment to Action	Due date	Status
The establishment of a Corporate Social Responsibility (CSR) framework to make it easier for employers to engage in CSR activities	Mar-18	
To provide a range of programmes and interventions to increase and improve youth employability across the city	Mar-18	
Identify opportunities for business involvement in school-based activity	Mar-18	
Employability / skills-based opportunities	Mar-18	
Establish Edinburgh as Scotland's Living Wage City	Mar-18	
Establish and promote community based opportunities for businesses	Mar-18	
Develop and promote an easy method for businesses to donate or invest in CSR	Mar-18	
To provide a range of community-based adult literacy and numeracy programmes across the city	Mar-18	
To provide a range of English to Speakers of Other Languages (ESOL) programmes across the city	Mar-18	
The college will recruit approximately 13,100 students per year from the City of Edinburgh, with 94% going to a positive destination.	Jul-18	
Multi agency approach, led by Edinburgh College WEACT to provide positive Job or Education destinations for the City of Edinburgh unemployed.	Mar-16	

Edinburgh's citizens experience improved health and wellbeing with reduced inequalities in health

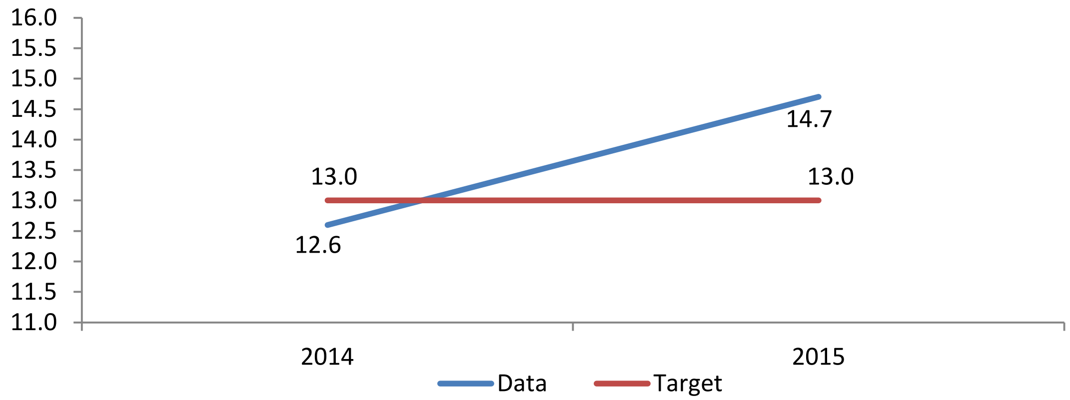
Shifting the balance of care

Indicator	Performance	Comments
% of older people with high levels of need who are cared for at home		The proxy used to estimate the number of older people with high levels of needs who are supported at home is the number who have packages of care of ten hours or more per week. This is a result of a range of actions to make more efficient use of care capacity including changes to medication to reduce the number of visits required and the reablement service which has the objective of enabling people to improve or maintain their levels of independence.
Number of people waiting more than two weeks for discharge to an appropriate setting		This indicator has shown steady improvement over the last 6 months. Patient flow is being addressed through a programme of actions which are being overseen by the Patient Flow Programme Board.

Summary: Bridging finance from the Scottish Government is being used to fund 30 beds at Gylemuir care home (supporting moving on from hospital). The first 15 additional beds came onstream in September. The remaining beds were expected by December. Bridging finance is also being used to fund the recruitment of approximately 140 additional Home Care staff by September. It is anticipated that the new "Care at Home" contract will be implemented by September 2016.

Commitment to Action	Due date	Status
Open Gylemuir House Care Home which will provide 60 interim care home beds in 2014-15 with the potential to increase to 120	Mar-16	
Recruit to re-ablement teams to increase capacity in re-ablement	Mar-16	
Implement the new Care at Home contract to support providers to maintain business continuity and provide a more flexible and responsive service.	Oct-18	

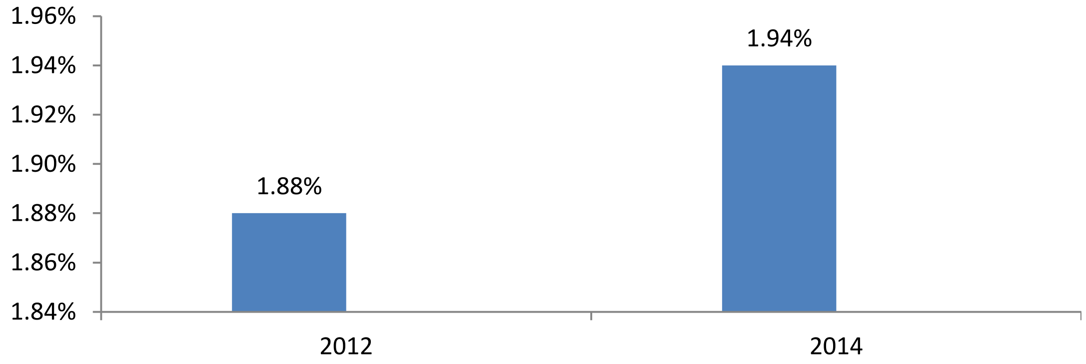
Reducing alcohol and drug misuse

Indicator	Performance	Comments
Premise licences in force (off trade per 10,000 adult population)		Baseline data for March 2013/14: • 1725 total licences • 518 off sales In 2014/15 there were: • 1987 off licences • 609 off sales Source: http://www.gov.scot/Topics/Statistics/Browse/Crime-Justice/PubLiquor

Summary: Development of courses to reduce alcohol related harm is underway. The associated framework on the reduction of alcohol related harm has been published and integrated into the work of the strategic partnerships.

Commitment to Action	Due date	Status
Redesign and secure delivery of a more recovery oriented system of care	Mar-16	
Work with Neighbourhood Partnerships to improve local input into licensing decisions and community responses to alcohol related harm	Mar-18	
Develop and implement a high level strategy to reduce alcohol related harm	Mar-16	

Reducing health inequalities

Indicator	Performance	Comments
The ratio of premature mortality rates between the 15% ‘most deprived’ areas (per SIMD) and the Edinburgh average		The data relates to the 2012-14 period (rolling average). The figure indicates that for every one premature death in Edinburgh there are 1.94 premature deaths in the areas of greatest multiple deprivation. Target is to reduce the gap.

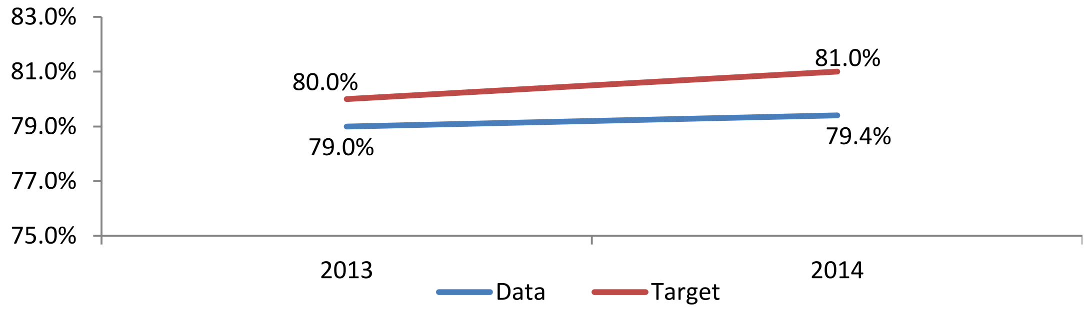
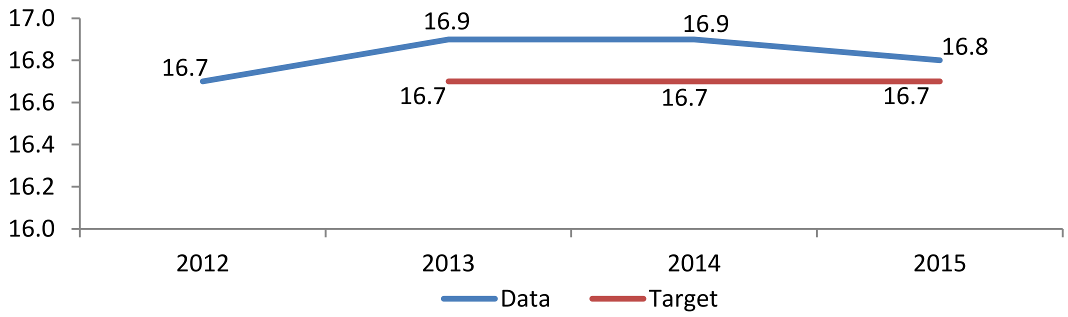
Summary: Currently, work is required to articulate milestones and actions for the Poverty and Inequality Partnership, development of the Health Inequalities Strategic Framework and action plan and the Outlook Project. Edinburgh Choose Life Steering Group have planned activities for 2016/17. In regards to improvements to inpatient psychiatric care environments, moving of patients began in March with scope of phase 2 being agreed by the end of the year.

Commitment to Action	Due date	Status
Through its active travel forum and partners (e.g. NHS Lothian, Sustrans, etc), direct investment to bring about an uplift in active travel across Edinburgh’s communities including in deprived areas	Oct-16	
Implement action plans for each outcome of the Poverty and Inequality Framework	Mar-16	
Deliver the Action Plan for Health Inequality 2012-15	Dec-15	
Refresh the Health Inequalities Strategic framework and action plan, ending in 2015	Mar-16	
Identify prevention priorities and fund continuing co-productive programme with three year funding agreements 2016-2019	Mar-18	
Ensure that street design projects value the positive contribution from, and deliver, trees in the urban environment, to ensure positive well being, through the adoption of standards in the Council’s street design guidance	Mar-18	
Development of Mental Health Re-ablement Service .Way finder Partnership and Public Social Partnership will implement a graded support model which focuses on person centred choices, providing a safe and secure base for people and activities.	Nov-16	
Third Sector mental health and well being services will meet the outcomes of “A Sense of Belonging”, made available as part of the options of self directed support, in line with the Mental Health and Wellbeing Commissioning Plan	Mar-16	
Edinburgh Choose Life Steering Group Suicide prevention – implementation of multiagency commitments to develop services to support people suffering distress	Mar-16	
To develop the role and reach of the Outlook Project in providing educational courses for adults accessing mental health services	Mar-18	

Commitment to Action	Due date	Status
To maximise the therapeutic impact of the new Royal Edinburgh Campus through a Public Social Partnership focusing on the impacts of external environment and arts to support people's' mental health and wellbeing	Dec-17	●
Improving inpatient psychiatric care in fit for purpose environments.	Dec-16	●

Edinburgh’s children and young people enjoy their childhood and fulfil their potential

Improving early support

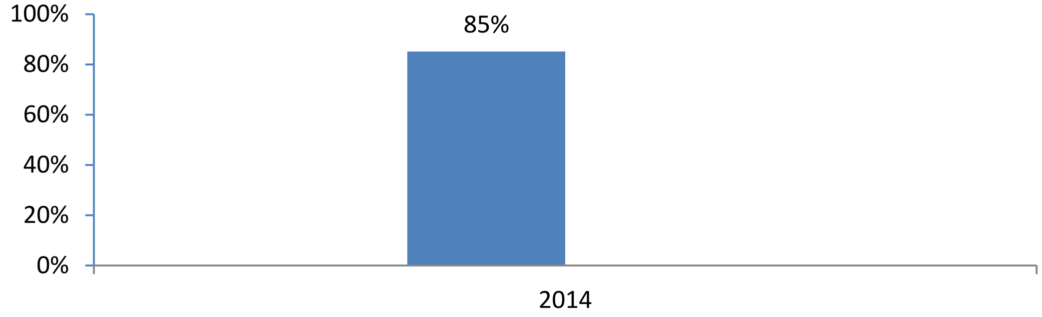
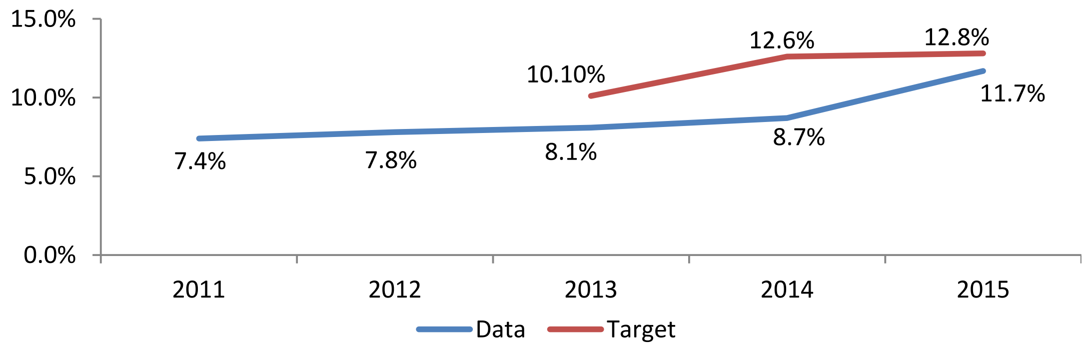
Indicator	Performance	Comments
% of children who have reached all the expected developmental milestones at the time of the child’s 27-30 month child health review		Data taken from NHS ISD publication 'Child Health 27-30 Month Review Statistics' published in December 2015. During the year 1 April 2014 - 31 March 2015, of 5334 eligible children, 4517 were assessed. This is an uptake of 84.7%, down from 87% in 2013/14 and worse than the national average of 86.7%. There was no concern over all domains for 3587 of these children, equating to 79.4%, short of the 81% target and higher than the national average of 71.6%.
Number of children who need to be looked after (rate per 1,000)		Through early support for children and families (while still responding to need), we aim to reduce the rate of growth in the number of children who need to be looked after. The national figure is 14.9. The data is published in 'Children's Social Work Statistics Scotland, 2014-15' by the Scottish Government on 22 March 2016 and relates to the position as at end July 2015.

Summary: In 2015/16, 60% of foster care placements were with City of Edinburgh Council foster carers. In 2015, Incredible Years and Triple P practitioners were identified and trained across the city.

Commitment to Action	Due date	Status
Develop deliverable safe alternative(s) to secure accommodation for young women at risk	Mar-18	
Provide earlier support to families experiencing difficulties (with a specific focus on substance misuse and domestic violence) to reduce the need for children and young people to become looked after	Mar-18	
Expand the range of foster care and placements available	Dec-15	
Evidence use of wellbeing indicators to consistently and holistically assess and meet needs across all children’s service delivery	Mar-18	

Commitment to Action	Due date	Status
Develop and deliver the Psychology of Parenting Project in Edinburgh (a cluster based approach to begin with, building to a whole-city approach)	Mar-18	
Increase access to early learning and childcare for all 3-4 year olds and eligible 2 year olds to 600 hours per year	Mar-18	
Work with partners to develop a “Childcare Guarantee” based on the Edinburgh Guarantee to encompass childcare to support employment and training and universal breakfast and after-school club provision. Explore options for school holiday activity and care provision for children with additional support needs	Mar-18	
Early Years Collaborative and Early Years and Early Intervention Change Fund aims to work in partnership to reduce the numbers of children who need to become looked after by supporting families earlier and more effectively.	Dec-15	
Improve the quality of our services and our potential for early intervention through regular (annual) engagement with children, young people and their parents.	Mar-18	

Improving outcomes for children in need

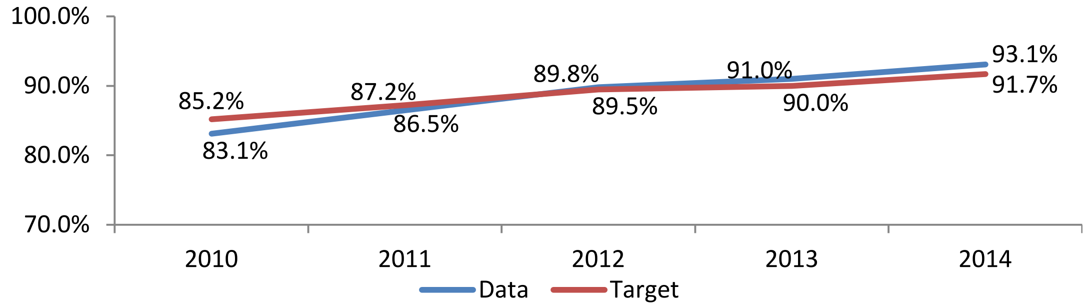
Indicator	Performance	Comments
Attainment of Looked After Children		Latest data is taken from the Scottish Government publication 'The Educational Outcomes for Looked After Children' published in June 2015. The indicator for attainment was based on average tariff score but this changed in the 2015 publication to be the percentage of looked after children who achieved 1 or more award at level 3 or above with no retrospective information being published. The data for 2015 shows 85% of looked after children achieved 1 or more award at level 3 or above with the national figure being 88%. The information in 2015 was the first following this definition and no retrospective information was calculated. Consequently targets have not been set until trend information can be analysed. The aim is to close the achievement gap experienced by those who are looked after.
% of pupils living in most deprived areas gaining 5+ awards at SCQF Level 6		This indicator is defined by the Improvement Service Benchmarking programme. No targets set beyond 2015/16 due to the change in the exam system. The national average was 12.8%. The aim is to close the achievement gap experienced by those living in the most deprived areas in the city. The gap has improved from 21.7 percentage points to 20.1.

Summary: 90% of relevant staff received the Corporate Parenting briefing by March 2016. In the same time, 80% of Looked After Children entered a positive destination on leaving school. Results for the average tariff score for looked after children will be by the Scottish Government by the end of June 2016.

Commitment to Action	Due date	Status
Deliver all actions in the city's Looked After Strategy and Corporate Parenting Action Plan	Mar-16	
Raise the attainment levels of looked after children and young people through a range of targeted actions within school settings and as part of the Curriculum for Excellence	Mar-16	

Commitment to Action	Due date	Status
Develop performance measures to allow monitoring of whether children with a disability are able to access the appropriate supports to enable them to experience improved outcomes	Mar-16	
Redesign services for children affected by parental substance misuse. Action includes:	Mar-16	

Improving positive destinations

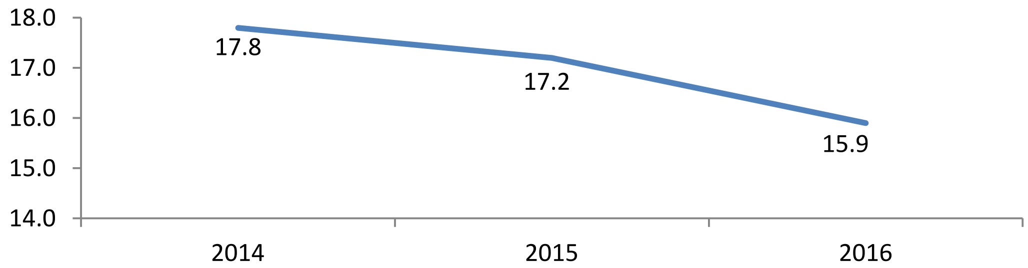
Indicator	Performance	Comments
% of school leavers in a positive destination (work, education or training) within 6months		Latest data shows that 93.1% of pupils were still in a positive destination, six months after leaving the 2013/14 school session from a mainstream school. Performance showed continued improvement from 83.1% in 2009/10 and exceeded the target level of 91.7% - the national average.

Summary: The Save the Children FAST programme has been completed. Also the Scottish Parent and Teacher Council Partnership Schools project has been embed in Castleview and Forrester. 2016/17 Milestones are to be discussed at ECLDP in September for Youth Literacy Programmes and Personal and Social development for children within deprived communities. 3% of the provision at Edinburgh College is enrolment from young people in deprived areas.

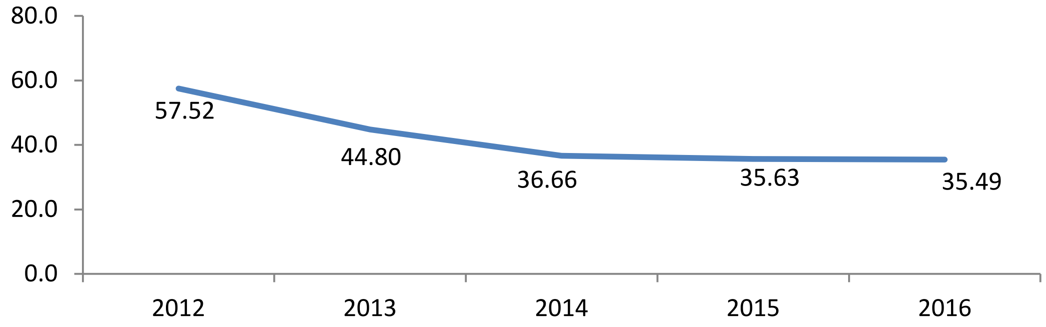
Commitment to Action	**Due date**	**Status**
Further develop family engagement, including strong home-school partnerships and particularly for ‘hardly reached’ families	Dec-15	
Total Craigroyston • focus on play and nurture in the very early years, better supporting parents and carers around developing early literacy and family learning.	Mar-16	
Increase participation in youth work, particularly amongst Looked After and Accommodated Children, and in high-value achievement awards (e.g. Duke of Edinburgh’s Award) by young people living in poverty	Dec-15	
Provide a range of youth literacy’s (including financial literacy) programmes in deprived areas	Mar-18	
Provide a range of learning opportunities for personal and social development for children and young people within deprived communities	Mar-18	
Establish ‘Science, Technology, Engineering and Mathematics’ (STEM) Academy to progress the key recommendations from of the Developing Scotland’s Workforce report	Mar-18	
Increase the number of young people, particularly those living in deprived areas, who enrol in Edinburgh College	Jul-16	

Edinburgh's communities are safer and have improved physical and social fabric

Reducing antisocial behaviour, violence and harm

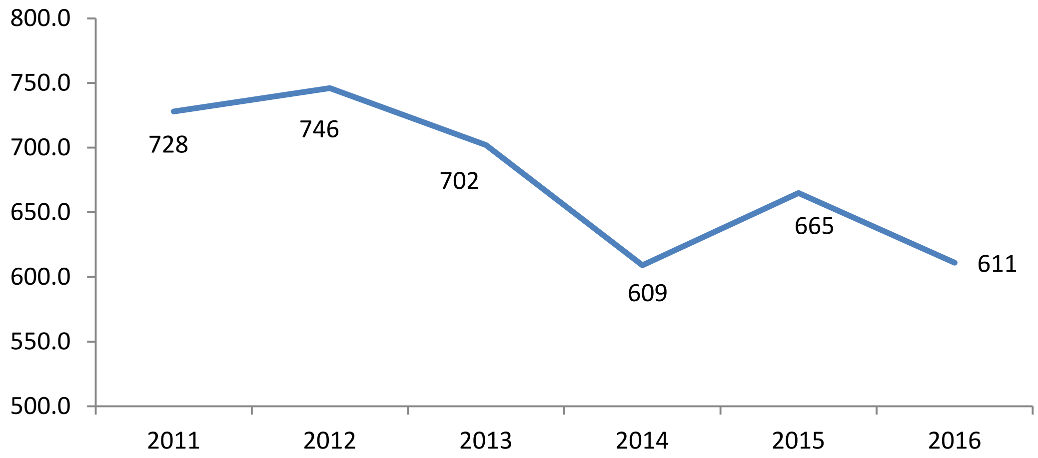
Indicator	Performance	Comments
Rate of recorded violent crimes and offences per 10,000 population		We continue to work with partners to reduce the rate of recorded crimes of violence. The figures show a reduction, which is a positive reflection of our partnership work. The issue of violence in the City Centre remains a challenge and in response the City Centre dispersal detail will continue to be deployed to those areas that have been identified as a problem. These officers will continue to work closely with Council Wardens, City and View CCTV and the Safe Zone Bus, to try and alleviate the problems of violence in the City Centre. The division will continue to target alcohol related violence and antisocial behaviour throughout the City. Effectively addressing alcohol related violence and ASB includes not only dealing with perpetrators and victims, but also sharing information, and intelligence, in order to prevent it. Alongside local initiatives, The VOW (Violent Offender Watch) Project is a small unit set up within Police Scotland aimed at reducing re-offending in Edinburgh. It currently manages a total of 26 offenders with ages ranging from 16 to 32 years old. Many of the offenders have reduced their offending by 100%. The VOW continue to work with partners including ESC Criminal Justice/Social Work, Lifeline, Scottish Office, Scottish Council for Voluntary Organisations, Action For Children, Access to Industry, Scottish Prison Service, Gowrie Care, Restart Lives (formerly the Astell Foundation), Drug Treatment and Testing Order (DTTO).

Rate of recorded anti-social behaviour complaints per 10,000 population



Target is to reduce the rate of recorded anti-social behaviour complaints year on year.
There are various initiatives and working practices that the Council have put in place that has contributed to the downward trend in ASB complaints including; the work of the ASB Review Group who discuss complex ASB investigations, providing recommendations that have supported neighbourhoods in conducting investigations more quickly and enabling officers to resolve cases first time. The Council also fund and work alongside 41 named Community Police Officers who are based across the localities with a further 14, funded constables based in the Divisional Violence Reduction Unit. In September 2015 the Council also launched a new Mediation Service. This service is free and available to all Edinburgh's citizens who are experiencing antisocial behaviour; referrals are made through the community safety teams based in the Council and can also be accessed by Housing Associations. Future priorities in tackling ASB are currently being consulted on to inform the next Antisocial Behaviour Strategy in development by the Council with Police Scotland.

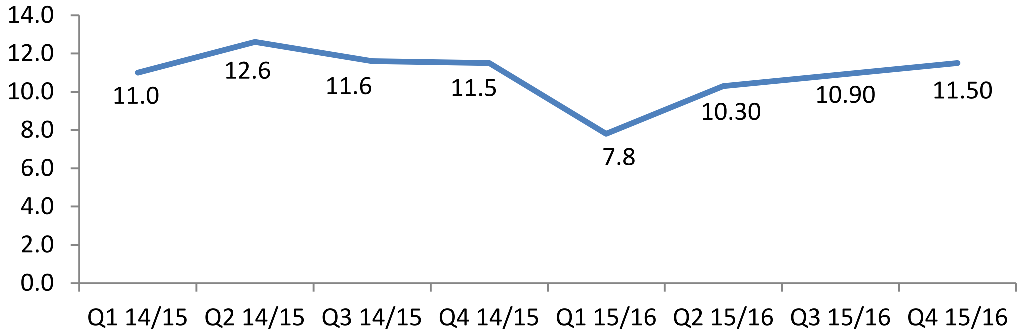
Number of dwelling fires (Total deliberate and accidental dwelling fires)



The SFRS has been carrying out Home Fire Safety (HFSV) visits for several years. This involves local firefighters attending private dwellings to provide occupiers with fire safety advice and fitting free smoke alarms. This initiative has been supported via partnership working, encouraging colleagues from other agencies to refer vulnerable persons to the SFRS. This initiative allows to access homes that are at greater risk of fire due to deprivation, alcohol or substance misuse and other influencing factors. The SFRS carried out over 5500 HFSVs within the City of Edinburgh last year 2015/16.

The target for this indicator has been set up with the introduction of the local plan 2014-17 and is to reduce dwelling fires by 10% over a rolling three year period.

Average threat scores of Edinburgh serious organised crimes



Tracking SOCG is a dynamic process and threat scores are influenced by many factors. For example, when a group is first identified and mapped the score will likely increase at first as a more comprehensive picture of the group's activity is developed. As progress is made towards dismantling the organisation the score will begin to reduce over time. Timescales for this reduction will vary according to the complexity of the operational activity required. Threat scores are revised each quarter and groups are added or removed via a quarterly national peer review process. The division has managed 15 groups over the course of 2014-15 and ten over the course of 2015-16. In 2014-15, six groups were removed from the mapping process as a result of effective disruption activity. Management of one high-scoring group was passed to the national unit (OCCTU). The remaining eight groups continued to be targeted into 2015-16 and the score has reduced for five of these groups as work progresses towards dismantling. The division has also taken on responsibility for two new groups in 2015-16.

Summary: Building on the Willow service there will be a transition from a range of ad hoc partnership funding to arrangements, assisting longer-term planning, following the withdrawal of Scottish Government funding. Plans will be aligned to Scottish Government's plans for the Women's Custodial Estate. There has also been a decrease in diversion numbers as young people will be managed by police and local GIRFEC arrangements.

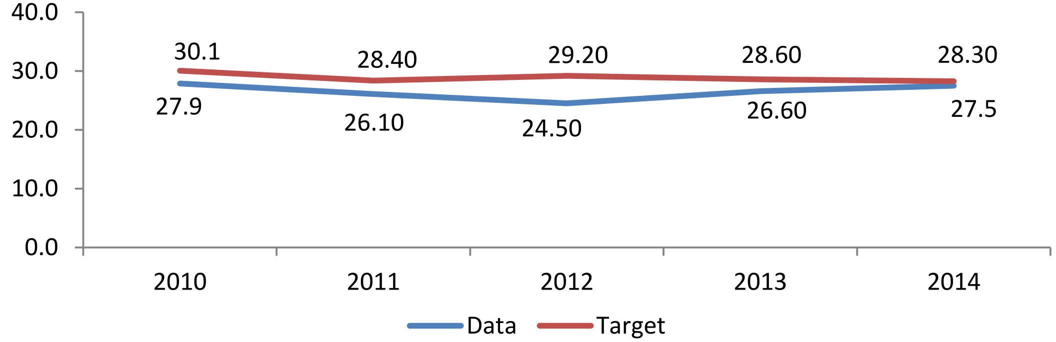
Commitment to Action	Due date	Status
Reduce recorded crimes of violence in Edinburgh	Apr-16	
Work with partners on the Multi-agency Domestic Abuse Policy and reduce domestic abuse related crimes	Apr-16	
Use priorities identified with communities to disrupt and detect violent offenders	Apr-16	
Work with the Licensing Trade to reduce violence relating to alcohol and licensed premises	Apr-16	
Further develop the multi agency ASB Review Group to reduce repeat ASB offending	Mar-18	
Implement ASB Strategy and associated new ASB Policy and revised policy and procedures	Jan-16	
Reduce hate crime across Edinburgh by encouraging the positive challenging of hate crime behaviour and improving approaches to dealing with persistent hate crime offenders	Mar-18	
Improving services for victims of hate crime by encouraging increased hate crime reporting and ensuring appropriate support is available to victims	Mar-18	

Commitment to Action	Due date	Status
Implementation of a 20mph speed limit and school streets to improve conditions for walking and cycling and safety, in particular working with Transport Forum partners including Lothian Buses.	Mar-18	
Fire Safety Initiative: 3 year part funded partnership initiative to examine Edinburgh specific preventative actions to reduce harm to those living at home and with vulnerabilities making them at high risk of fire. Part 1: referral pathways, part 2: H&SC staff training, Part 3: Provision of risk reduction measures	Apr-16	
Edinburgh's Stair Aware Campaign	Mar-18	
Implement the SOCG Multi Agency Action Plan	Mar-18	
Reduce violent offending	Mar-16	
Develop models of engagement with families with complex needs, drawing on the work of Total Place and Inclusive Edinburgh	Mar-16	
Sustain the partnership model of effective practice with women offenders through the Willow service after the removal of additional Scottish Government funding in April 2015	Mar-16	
Work through the Community Improvement Partnerships to identify and address issues arising from prolific offending in local communities	Jun-16	
Work with the Young People's Service to maximise the opportunities for diversion from compulsory measures through early and effective intervention, and ensure that there are robust transition arrangements for those young people who do move from the children's system to the adult system.	Jun-16	

Reducing reoffending

Indicator | **Performance** | **Comments**

One year reconviction rates

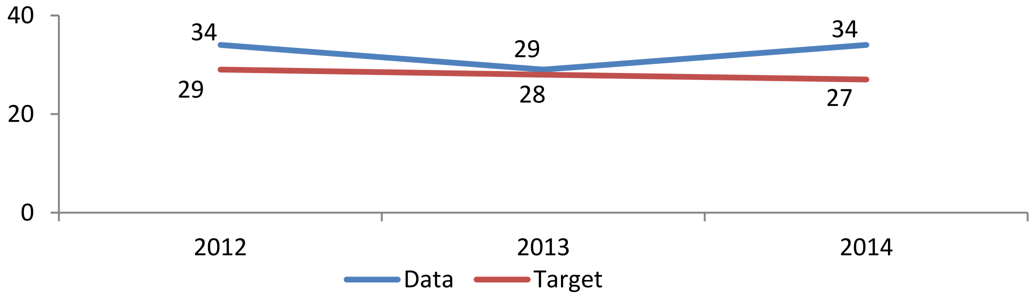


Scottish Government reconviction figures relate to the Sheriff Court where convictions are processed, thus Edinburgh Sheriff Court figures here include Midlothian offenders as well as City of Edinburgh.
While gap has narrowed performance continues to be below Scottish level.

Improving community cohesion, participation and infrastructure

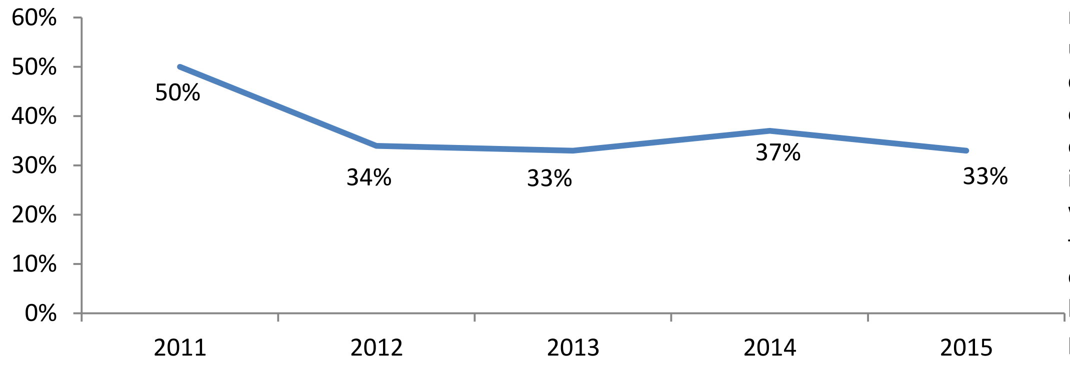
Indicator | **Performance** | **Comments**

Volunteering Rate (Scottish Household Survey)



The proportion of residents who volunteer is typically higher in Edinburgh than in Scotland as a whole. Two major factors drive overall levels of volunteering – deprivation and age.
Those in the 20% most deprived areas by SIMD volunteer around 12% less than the average, while those on incomes of £40k+ volunteer around 11% more. While formal volunteering is traditionally associated with older adults, those in younger age groups (16-24, 35-44) are more likely to volunteer overall and much of that volunteering is focussed on activities with young people, schools and sport. While there is anecdotal evidence that people use volunteering as an opportunity to develop their CV, this does not significantly feature in stated motivations for volunteering (only around 4% of adults mentioned this as motivating them to take up volunteering opportunities) and actual take-up seems to be motivated more by free time, awareness and fit with personal interests.

% of residents who feel that they can have a say on things happening or How Council services are run in their local area (Edinburgh People Survey)

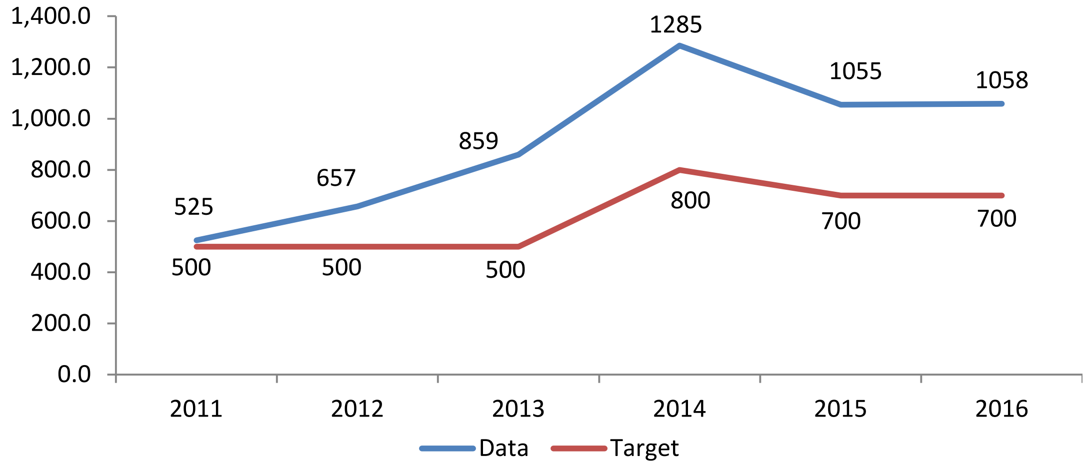


Although this indicator shows some yearly fluctuations, longer term the indicator is stable, reflecting the low level of consideration most residents give to this issue. Previous work to understand underlying social issues with this topic confirm that most people do not want to be engaged with local issues and will not willingly engage unless there is an obvious direct and immediate impact on them. Even amongst those willing to be engaged on local issues in general, there was a strong preference for low-demand engagement, such as surveys, over attendance at local meetings. The Community Empowerment Act provides opportunities for more residents to exercise control over local services and facilities, but there is no indication that currently unengaged residents are being told about this change, or that they will be motivated to take up this opportunity.

Summary: Proposals are currently being considered between Police Scotland and CP to support collaborative asset management and co-location opportunities. The Council have offered the option of a “pop-up” front counter during the festival within the Customer hub (249 High Street). Milestones and actions will be discussed at the next ECLDP meeting to cover asset based community development, programme to challenge social isolation and improving volunteering citywide.

Commitment to Action	Due date	Status
Deliver a Collaborative Asset Management Programme which will assist in sharing of asset based services, improving quality and reducing costs of all participating agencies	Mar-18	
Complete Locality based studies in Muirhouse, Leith, Wester Hailes and Craigmillar - building on the neighbourhood model of co-location and review of assets	Mar-16	
Complete phased implementation of CEC access to NHS Lothian Staff bank for facilities workforce in two local pilot sites as initial steps towards increasing cost effectiveness of access to supplementary staffing for CEC, increasing access to a local and flexible workforce and developing integrated roles.	Mar-16	
Align housing investment, planning policy and asset strategy to maximise new homes	Dec 16	
Establish a City of Edinburgh Council Asset Transfer Policy	Mar-16	
Continue the involvement of members of the public, alongside professional stakeholders, in participatory decision making in relation to the Council’s Active Travel Action Plan, through regular meetings with decision makers in the city	Mar-18	
To lead a city-wide approach to asset-based community development and co-production within CLD, including ‘Skilled Citizens, Skilled Workers’ - embedding the principles of co-production in practice.	Mar-18	
To provide a range of programmes to challenge and break down social isolation amongst adults and young people	Mar-18	
To increase the range and quality of volunteering opportunities across the city	Mar-18	
To maximise community access to local authority schools for a range of purposes	Mar-18	

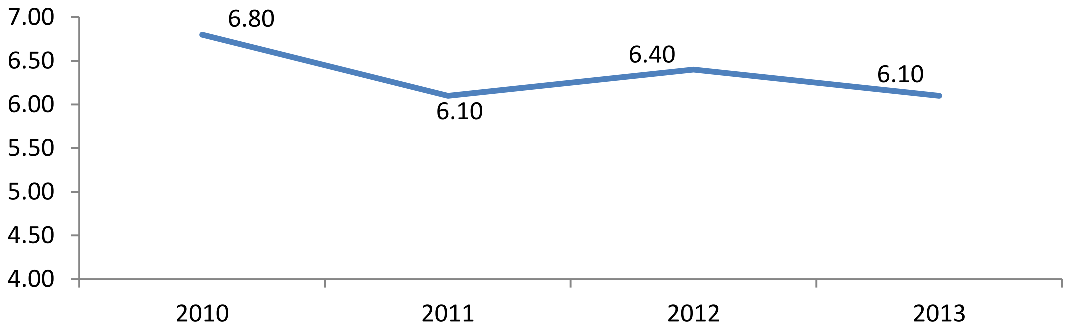
Increasing availability of affordable housing

Indicator	Performance	Comments
Number of affordable homes completed		The Council and its housing association partners have agreed an ambitious plan to commit direct investment of £2 billion to deliver 16,000 new affordable and low cost homes over the next 10 years. A report to the Edinburgh Partnership Board in March 2016 received support from Community Planning partners to support the strategy and identify potential opportunities for collaborative working that would maximise the wider benefit to the city.

Summary: New affordable homes will continue to be delivered citywide. Also, two further National Housing Limited Liability Partnerships will be established which will deliver up to 900 mid market rent homes.

Commitment to Action	Due date	Status
In 2015/16, the Council and its partners will deliver 1500 affordable homes	Mar-16	
Increase the number of National Housing Trust Limited Liability Partnerships from five to nine which will deliver 900 mid market rent homes	Mar-18	
People assessed with a housing need are given a high priority for re-housing. To help prevent delayed discharge from hospital the Edindex Partnership will look at new ways of matching people awaiting discharge from hospital with housing that meets their assessed needs.	Mar-18	

Reducing greenhouse gas emissions

Indicator	Performance	Comments
CO2 emissions (tonnes per capita)		Each year, the inventory is updated to take into account the latest year's emissions, and may also be revised historically as a result of improved data and methodology. There has in general been a decline in carbon emissions across the UK due to a decrease in coal and gas for electricity generation.

Summary: Resource support for Sustainable Development Plans and Sustainability and Energy (Retrofir) was discontinued by the Scottish Futures Trust. Investment continues in active travel with the implementation of the Active Travel Action Plan and provision of on-street charging pilots

Commitment to Action	Due date	Status
Continue promotion of active travel and/or electric transportation (depending on decarbonisation policies regarding electric supply)	Mar-18	
Partners implement actions that they can take to individually reduce carbon	Mar-17	
Partners jointly implement bi-lateral and multi-lateral actions they can work on together to reduce carbon during 2016/17 & 2017/18	Mar-18	
Facilitate during the development of the next Community Plan a holistic approach towards achieving a sustainable Edinburgh	Mar-18	
Develop and deliver Resilient Edinburgh: Climate Change Adaptation Action Plan for the city in partnership with key stakeholders and local communities	Mar-18	

Capital Coalition Pledges Update
November 2015 – April 2016

Capital Coalition Pledges

Performance Monitoring

November 2015 – April 2016

City of Edinburgh Council
30 June 2016

EDINBVRGH
YOUR COUNCIL – YOUR SERVICES

Capital Coalition Pledges Performance Monitoring

Welcome to the Capital Coalition Pledges Performance Monitoring Report.

After the local government election in 2012, the Capital Coalition set out its commitments to Edinburgh in the 'contract with the capital' which has six priorities and 53 pledges that support them:

- Ensuring every child in Edinburgh has the best start in life
- Reducing poverty, inequality and deprivation
- Providing for Edinburgh's prosperity
- Strengthening and supporting our communities and keeping them safe
- Ensuring Edinburgh, and its residents, are well cared-for
- Maintaining and improving the quality of life in Edinburgh

This report provides an update outlining the current performance levels directly related to the Capital Coalition Pledges to April 2016.

Performance against the pledges is formally reported to the City of Edinburgh Council every six months with the next update due in December 2016.

Andrew Burns
Council Leader
Scottish Labour Party

Frank Ross
Deputy Council Leader
Scottish National Party

Contents

Capital Coalition Pledges Performance

Summary of coalition pledges updates

This report advises elected members of progress and achievements since the last report in October 2015. Performance against delivery of the Capital Coalition pledges is reported to Council every six months with the next planned performance update due to be published in December 2016. The next report in December 2016 will be a detailed description of performance providing elected members with the means to make a final assessment of progress towards meeting the priorities set out in the Capital Coalition Agreement in April 2012.

Along with scrutiny at committee, web pages have been developed which are updated regularly with performance against the pledges. These pages are accessed via the Council's website, where the public can see progress against all 53 pledges or any individual pledge.

The table below shows overall performance in comparison against the previous period. Overall 51 of 53 pledges are reported as being either 'achieved' or 'on track' for planned delivery. There are no pledges which still have actions under development and a further 2 are within tolerances.

Performance overview

May to October 2015

- **13** pledges are achieved
- **32** pledges are on track
- **7** pledges are within tolerance
- **1** pledge is under development
- **0** pledges have milestones/targets not met

November 2015 – April 2016

- **17** pledges are achieved
- **34** pledges are on track
- **2** pledges are within tolerance
- **0** pledges are under development
- **0** pledges have milestones/targets not met

Since the last update in October 2015 the following pledges have shown change in status:

		From	To
Pledge 3	Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools		
Pledge 5	Seek to ensure the smooth introduction of the Curriculum for Excellence and that management structures within our schools support the new curriculum		
Pledge 14	Strengthen Council housing allocation policy to give recognition to good tenants and to encourage responsible tenant behaviour and responsibilities		
Pledge 30	Continue to maintain a sound financial position including long term financial planning		
Pledge 41	Take firm action to resolve issues surrounding the Council's property services		
Pledge 45	Spend 5% of the transport budget on provision for cyclists		

Pledge 46	Consult with a view to extending the current 20mph traffic zones		
Pledge 48	Use Green Flag and other strategies to preserve our green spaces		
Pledge 49	Continue to increase recycling levels across the City and reducing the proportion of waste going to landfill		
Pledge 50	Meet greenhouse gas targets, including the national target of 42% by 2020		
Pledge 51	Investigate the possible introduction of low emission zones		

In the period since October 2015, significant progress has been made in the delivery of a number of Capital Coalition pledges. Key highlights include:

- **Pledge 3** – New Portobello High School on track for completion and ready for occupation by January 2017
- **Pledge 8** – Expansion of the Council led house building programme approved by Council and as at April 2016 1,313 affordable homes were under construction
- **Pledge 11** – Approval for officers to work with partners to co-produce a tenant participation and engagement service to support the development of services to tenants
- **Pledge 15** – Hosting of a high-level roundtable with the Lord Mayor of the City of London, Innovate Finance and SFE where the focus was on collaboration on the fintech sector at local, national and global levels
- **Pledge 22** – Support provided to Edinburgh's Business Improvement Districts which deliver in the region of £1.3m levy per year and represent 1,142 businesses. Highlights include – Greater Grassmarket selected as the first 'Neat Street' outside of London and the inaugural Vintage Market which recorded an uplift in footfall of 60% over the weekend
- **Pledge 28** – Successful promotion of the 'Create in Shenzhen' competition, resulting in five Edinburgh based creative and tech companies accompanying the Edinburgh outward delegation to Shenzhen in May 2016.
- **Pledge 29** – During 2015/16 a total of 122 Council apprentices were supported representing 1.1% of the FTE workforce with the majority graduating and securing main grade posts. 54 apprentices graduated from the Council Apprenticeship programme.
- **Pledge 32** – In 2015/16 the Council provided £2.6m to Police Scotland to support 41 named community police officers embedded in localities and the Divisional Violence Reduction Unit which includes a named inspector and 14 constables deployed across the city to meet identified needs.
- **Pledge 35** – The People Network refresh and upgrade programme of public access to computers and internet services to support digital inclusion and channel shift was completed in November 2015.
- **Pledge 41** – The Edinburgh Shared Repairs service has successfully completed its pilot phase and the new service will have a phased implementation throughout 2016/17.
- **Pledge 42** – The Council and its partner Heriot-Watt University have each committed £2.5m towards the cost of constructing a National Performance Centre for Sport at Riccarton (Oriam) which is due to open in autumn 2016.
- **Pledge 46** – Design for 20mph Zone 1 (City Centre and Rural West Edinburgh) has been completed and contractor procurement has commenced.

Performance in each priority pledge area is shown below. For 5 of the priority pledge areas, all pledges are either on track or achieved. All of the 4 pledges which are still within tolerance (amber) lie within the ‘Maintain and enhance the quality of life in Edinburgh’ priority pledge area.

					Total
1. Ensure that every child in Edinburgh gets the best start in life	2	4	0	0	**6**
2. Reduce poverty, inequality and deprivation	2	6	0	0	**8**
3. Provide for Edinburgh’s economic growth and prosperity	7	10	0	0	**17**
4. Strengthen and support our communities and keep them safe	0	4	0	0	**4**
5. Ensure that Edinburgh is well-cared for and promote the wellbeing of our residents	2	6	0	0	**8**
6. Maintain and enhance the quality of life in Edinburgh	4	4	2	0	**10**
Total	**17**	**34**	**2**	**0**	**53**

Capital Coalition Pledges Performance

Ensure that every child in Edinburgh gets the best start in life

1 Increase support for vulnerable children, including help for families so that fewer go into care

2 Hold the maximum P1 class size at 25 and seek to reduce class sizes in line with Scottish Government recommendations

3 Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools

4 Draw up a long-term strategic plan to tackle both over-crowding and under use in schools

5 Seek to ensure the smooth introduction of the Curriculum for Excellence and that management structures within our schools support the new curriculum

6 Establish city-wide childcare co-operatives for affordable childcare for working parents

Pledge 01 **Increase support for vulnerable children, including help for families so that fewer go into care**

Council committed £8.6m in support for vulnerable children and families through the Early Years Change Fund. This includes services to provide additional support for families, including social care workers, home makers and volunteers, the expansion of Family Group conferencing and kinship care support and the implementation of additional evidence-based programmes of intervention to keep families together. The Early Years Change Fund was time limited over a 3 year period, however many these initiatives have since been mainstreamed into core services, allowing this positive work to continue.

Since the implementation of the fund, good progress has been made towards delivering each of the four objectives: Strengthen universal antenatal and early years services, especially for vulnerable children and families; Reduce the need for children and young people to become Looked After; Improve support for children and young people Looked After at home to reduce the need for children to be accommodated; Increase CEC fostering capacity and strengthen Kinship Care arrangements to achieve best outcomes for children and young people and provide best value placements.

To achieve the objectives there has been a strong emphasis and focus on: Strengthening universal antenatal and early years services especially for vulnerable children and families focusing on prevention and early intervention; building parenting and family capacity and confidence pre and post birth; working effectively with parents and carers as partners; helping communities to provide a supportive environment for children, young people and families; delivering high quality integrated services that meet the holistic needs of children and families; achieving an appropriate mix of universal and targeted services; ensuring children are supported to reach appropriate developmental milestones through effective earlier identification; developing a workforce with the skills to deliver prevention and early intervention.

The Corporate Parenting Member Officer Group continues to ensure that outcomes for looked after children are a high priority for all Council services and partner agencies. Robust scrutiny is in place with particular focus on closing the gap on educational outcomes.

A Looked After Children Transformation Programme was established along with the Balance of Care Performance Management Group to develop the performance framework and to monitor progress. A progress report has been presented regularly to the Council Management Team, to the Education, Children and Families Committee and to the Governance, Risk and Best Value Committee.

Since 2012, the growth in the Looked After Population, which had steadily increased for 10 years prior to that, has been slowed down. Since September 2015 there has been a gradual decrease. We have made good progress in exceeding our target on numbers of children supported in kinship care and have lower than the expected number in foster care. We need to make further progress on the proportion of our foster placements that are provided by City of Edinburgh and on reducing the number of young people in secure accommodation.

Pledge 02 — Hold the maximum P1 class size at 25 and seek to reduce class sizes in line with Scottish Government recommendations

Performance in this pledge specifically refers to the ratio of class sizes of 25:1 in accordance with Scottish Government guidelines.

All P1 classes have a maximum pupil:teacher ratio of 25:1 unless additional pupils have been allocated places on exceptional grounds by the independent placing appeals committee. Where lack of physical accommodation restricts additional classes being established, team teaching arrangements are used in accordance with Scottish Government guidelines. Latest data from the pupil Census in September 2015 shows that there were no P1 classes with a class size of more than 25 from a population of 4,501.

The Council has committed to maintaining overall teacher numbers and pupil:teacher ratios at the level achieved in September 2014 (14.9). Latest data from the pupil and teacher censuses in September 2015 show that this was achieved and work is ongoing to ensure the level is maintained.

Pledge 03 — Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools

The latest five year capital programme to 2020/21 commits the Council to the delivery of £91m of investment (excluding significant additional funding from disposal receipts and the Scottish Government) in projects including the provision of new school buildings for Boroughmuir High School, James Gillespie's High School, Portobello High School, St John's RC Primary School and St Crispin's Special School.

The most recent Children and Families Asset Management Plan 2014 was approved by the Education, Children and Families Committee on 9 December 2014 and identified the significant capital expenditure that will be incurred in the Children and Families estate in the next five years. The report included an action plan which identified the various Children and Families asset related projects and initiatives which were either already underway, or planned. An update is provided to the Education, Children and Families Committee every six months regarding progress in delivering the action plan. The latest update ('Children and Families Asset Management plan 2014 – Update') was considered by Committee on 24 May 2016 and showed good progress against the majority of actions including the delivery of the new teaching block at James Gillespie's High School.

The construction of the new Portobello High School is now well advanced. However, the contractors (Balfour Beatty) are unable to meet the planned completion date that would have allowed the new school to be occupied in August 2016, mainly due to issues with securing drainage connections. Planning is now being progressed on the basis that the school will decant into the new building in January 2017. However, there remains the possibility that the issues can be resolved more quickly, which is very much the objective. The project team is working closely with Balfour Beatty to establish what the earliest realistic completion date would be. Should an earlier occupation date be possible, the school would decant at the earliest available school holiday period, which would be the end of the October 2016 break.

An update report 'Future Investment in the school estate – Wave 4' was considered by full Council on 20 August 2015 which approved that four secondary schools be shortlisted for further consideration. For those four secondary schools the second stage process will be progressed to determine whether refurbishment or new build would be the appropriate intervention. Once the future capacity requirements of the four secondary schools has been completed during the remainder of 2016, feasibility studies will be progressed and the conclusions reported to Council together with the recommended approach to prioritisation.

Pledge 04 — Draw up a long-term strategic plan to tackle both over-crowding and under use in schools

The most recent Children and Families Asset Management Plan 2014 was approved by the Education, Children and Families Committee on 9 December 2014. Responding to the issue of rising rolls continues to be a challenge in all sectors, however, is one which is being successfully addressed. The Rising Rolls Programme is reviewed and reported annually. The latest report 'Primary School Estate Rising Rolls' was considered at the Education, Children and Families Committee on 24 May 2016.

The key ambition of the Community Access to Schools review at its inception in 2012 was, where possible, to increase the level of community access to schools to ensure local needs are addressed. This was to be achieved through the development and introduction of new management and staffing arrangements that would maintain levels of community access to schools and maximise use of schools and increase efficiency in the use of school buildings and associated facilities. Many of the original ambitions for CATS cannot be achieved against the backdrop of considerable financial savings. The following however has been achieved: The introduction of a revised scheme of charges for use of secondary school facilities across the city from August 2015; The implementation of phase 1 of the organisational review of staffing that resulted in the introduction of a new management and staffing structure for CATS in September 2014; The development of an online booking and payment system for CATS use of school facilities.

On September 29th 2015, Corporate Policy and Strategy Committee considered a report detailing the recommendations from a citywide review of Council-owned sports facilities and services, including the use of secondary schools. Approval in principle has been given to Edinburgh Leisure to develop a business case that may result in Edinburgh Leisure managing community access to sports facilities in some secondary schools. One of the intended outcomes of this approach is to maximise the use of these facilities. A further report about progress of the business plan was presented at Corporate Policy and Strategy Committee on 17 May 2016.

Pledge 05	Seek to ensure the smooth introduction of the Curriculum for Excellence and that management structures within our schools support the new curriculum

National qualifications are now embedded and the New Higher and Advanced Higher courses will be in place for all young people by the end of school year 2017.

A Senior Phase working group has been formed to ensure equity of Senior Phase provision across the city.

Education Scotland recently fed back very positively about education services in Edinburgh. They judged education services as ‘good’ with a sound capacity for improvement. They highlighted:

- the Council’s effective political and managerial leadership with a clear vision for education;
- the commitment to parent and pupil engagement;
- the effective implementation of Curriculum for Excellence;
- the strong promotion of children’s wider achievements.

Management Structures

The Revised Secondary Management Structures were implemented in August 2011. All Secondary schools now have middle management structures of Curriculum Leaders and Pupil Support Leaders/Support for Learning Leaders and senior management structures of Depute Head Teachers and a Head Teacher.

The City of Edinburgh Council’s Employee Survey found:

- 55% of Children and Families school based staff respondees (3% above the CEC average) reported that morale was good.
- 84% of Children and Families school based staff respondees (3% above the CEC average) reported that they got the help and support they needed from colleagues.
- 67% of Children and Families school based staff respondees (5% above the CEC average) reported that they felt valued for the work they do.

Further information available in the ‘Progress Report on the Implementation of Revised Secondary School Management Structures’ to Education, Children and Families Committee, 9 December 2014.

Senior management are working with the LNCT to ensure the structures evolve to meet changing circumstances.

Pledge 06	Establish city-wide childcare co-operatives for affordable childcare for working parents

An ‘After School Club Co-operative Charter’ has been formally launched and continues to be developed. Support using grant funding is currently being given to LAYC (Lothian Association of Youth Clubs) to support parent led organisations to encourage mutual support and strengthen governance, including legal support and advice, based on co-operative principles. A pilot was established with the voluntary playgroups and nurseries in an area of South Edinburgh to explore them working cooperatively. This has been successful in developing cooperative working between them. Over the next year, there will be a series of meetings organised with the voluntary playgroups and nurseries in each of the localities to explore them working cooperatively. A small grant will be set up to support this initiative. A report-“Playgroups and Nurseries in the Voluntary Sector” was presented to the Education, Children and Families Committee on Tuesday, 6th October 2015 and was praised by elected members.

Eligible three and four year olds have access to 600 hours of early learning and childcare in all council early years settings and the majority of partner provider settings. In order to develop more flexibility in how families access their 600 hours of early learning and childcare two working groups with representation from local authority and the private sector were established to explore different ways of delivery. Consultation with parents took place in small focus groups across the city to obtain parental views on more flexible options for delivery of 600 hours. Following this consultation we are trialling the delivery of more flexible hours in Fox Covert, Wardie, Dalry, Hope Cottage, Tollcross and Fort.

Children from 64 of our 88 Local Authority Primary Schools can now access a Breakfast Club. We are currently working to establish access to Breakfast Clubs in the remaining 24 Primary Schools. A report on the provision of Breakfast Clubs ‘Breakfast Club Review’ was presented at Education, Children and Families on Tuesday 6th October 2015.

Further information available in the 'Early Years Strategy Report' to Education, Children and Families Committee, 24 May 2016.

New nursery provision opened in Fox Covert Campus, Wardie and Duddingston Primary Schools in August 2015. The nurseries have incorporated best practice in to the interior and exterior designs and are excellent learning environments for young children. There has been a unique opportunity at Fox Covert to develop the new service co-operatively with voluntary providers. It is proposed that a group will be established to ensure that stakeholders will have a role in developing the early year's service based on the key principles of co-production highlighted in the Cooperative Capital Framework.

Reduce poverty, inequality and deprivation

- 7 Further develop the Edinburgh Guarantee to improve work prospects for school leavers
- 8 Make sure the City's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites
- 9 Work in partnership with the Scottish Government to release more funds for Council homes for rent
- 10 Set up a task force to investigate ways to bring empty homes into use
- 11 Encourage the development of cooperative housing arrangements
- 12 Work with health, police and third sector agencies to expand existing and effective drug and alcohol treatment programmes
- 13 Enforce tenancy agreements (Council and private landlord) with a view to ensuring tenants and landlords fulfill their good conduct responsibilities
- 14 Strengthen Council housing allocation policy to give recognition to good tenants and to encourage responsible tenant behaviour and responsibilities

Pledge 07 — Further develop the Edinburgh Guarantee to improve work prospects for school leavers

The Edinburgh Guarantee has continued to develop and respond to the needs of employers and support young people to reach a positive destination.

To date, almost two-thousand employment outcomes for young people have been achieved through working with over five-hundred new employers large and small. It has also led on the development of initiatives to increasingly support vulnerable young people move into employment including Project SEARCH which is currently supporting 24 young people with autism move into work.

Links have been strengthened with other public and education partners through the local Youth Employment Partnership who have agreed to adopt the Edinburgh Guarantee approach and brand to cover all funded youth provision in the city for vulnerable groups- giving a better consistency of message and support to our young people.

This integration also includes the welcome addition of the Edinburgh College introducing a guarantee of a college place for all who apply, further increasing the reach of this initiative.

Discussions are also ongoing with the Scottish Government funded Developing our Young Workforce (Edinburgh, Midlothian and East Lothian) Employer Engagement Team to ensure that our respective priorities and forward plans are well aligned and making the most of this valuable new investment.

The Scottish Government is moving away from tracking school-leaver positive destinations for recent school leavers to a new participation measure that tracks the progress of all young people aged 16-19year olds. A young person is deemed to be participating when they are confirmed as actively engaged with an organisation for the purpose of learning, training volunteering or work. In August 2015, the proportion of Edinburgh's young people (14,536) who were participating was 87.7%, compared to a Scottish Average of 87.6% and individual Local Authority areas figures ranging from 82.3% to 95.1%.

In Edinburgh there were 12,744 in education, employment or training, 639 who were unemployed (seeking), 227 who were unemployed (not seeking), and 926 whose status could not be confirmed. It is anticipated that new figures will be released in the summer and the team will be working with partners to use this new wider data set to further enhance the impact of the Edinburgh Guarantee in helping all our school-leavers secure and sustain a positive destination.

Pledge 08 — Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites

The Council and its housing association partners have agreed an ambitious plan to commit direct investment of £2 billion to deliver 16,000 new affordable and low cost homes over the next 10 years. This is an unprecedented commitment to tackle the acute shortage of affordable and low cost homes in the city and across the city region. The expansion of the Council led house building programme was approved by Council (Housing Revenue Account Budget Strategy 2016/17 -2020/21) on 26 January 2016.

This significant investment in house building is also an opportunity to strengthen joint working between housing and other partners to use this investment to develop homes and integrate services in a more planned and strategic way. A report to the Edinburgh Partnership Board on 17 March 2016 noted that the support and collaboration of partners across the public and private sectors is essential to ensure delivery of the housing investment strategy.

In April 2016, 1,313 affordable homes were under construction across 42 sites in the city, 40 of which are brownfield sites.

1,058 affordable homes were completed in 2015/16 and 1,167 affordable homes were approved.

Council loans provided through the National Housing Trust Programme will enable almost 900 new affordable homes to be built on brownfield sites. Seven Limited Liability Partnerships are now in place and have delivered 434 homes to date, with a further 302 programmed for completion by November 2017.

Health, Social Care and Housing Committee 8 September 2015 (Accelerating House Building) approved the recommendation to work with Scottish Futures Trust and the Scottish Government to establish a Limited Liability Partnership to acquire and manage housing for rent.

Pledge 09	Work in partnership with Scottish Government to release more funds for council homes for rent

Under the 21st Century Homes programme, 1,426 quality, new energy efficient homes are complete, under construction or in procurement. A further 316 homes are at the detailed design stage. On 19 April 2016 Health, Social Care and Housing Committee (21st Century Homes: Housing Development at Fountainbridge and Meadowbank) approved the development of around 400 homes on Council owned sites at Meadowbank and Fountainbridge.

Customer satisfaction with new homes is high and many residents are actively engaged in managing estates as part of cooperative arrangements. A range of community benefits has been secured through contracts with housebuilders and each of the completed projects has won or been shortlisted for major awards. Most recently the Pennywell development won the RICS Regeneration Award.

Acceleration of Council house building is anticipated in 2016 and 2017, with around 130 homes expected to be completed at Pennywell and Leith Fort and site starts anticipated at North Sighthill and Greendykes G. Finance and Resources Committee 2 February 2016 (21st Century Homes: Small Sites Programme Delivery) approved the development of 246 homes across seven small sites. In addition to this, feasibility and housing capacity studies are being undertaken in relation to other sites that have potential for housing development. These include sites in control of the NHS as well as the Council.

Pledge 10	Set up a task force to investigate ways to bring empty homes into use

An Empty Homes task force was established with representation from all political groups and key partners. This pledge is now considered as part of the wider Housing Pledges Working Group which meets quarterly. An Empty Homes Officer was recruited in February 2015 on one year pilot. 24 empty homes have been brought back, or are in the process of being brought back into use and the Empty Homes Officer has a caseload of over 60 properties, the majority of which are complex, long-term empty homes.

Health, Social Care and Housing Committee received an Empty Homes Pilot Project 12 Month Update on 26 January 2016. Committee agreed that the Empty Homes work will be mainstreamed, with a lead officer to provide strategic oversight and support. Private Rented Services (PRS) will take on the case-management function, and neighbourhood staff will refer empty homes in their area.

In 2012 the Scottish Government announced that it was launching an Empty Homes Loan Fund to help bring empty homes back into use. Link Housing Association, with support from City of Edinburgh Council, successfully bid for £750,000 from this fund. To date, three properties have been brought back into use in Edinburgh using the loan fund. Nationally, take-up of the loan fund has been low and Scottish Government continues to encourage innovative approaches to increase spend. Following consultation with partners, Scottish Government representatives and officers from across Scotland, the lead officer has prepared an options paper setting out best practice examples and innovative ways for the Empty Homes Loan Fund to be spent. Positive discussions with Link Housing Association are ongoing to take this forward and the loan fund continues to be promoted to owners. The project aims to return up to 10 identifiable empty homes to use each year.

As agreed at Health, Social Care and Housing Committee in January 2016 a dual focus will be established to tackle long-term empty homes and to proactively contact owners at an early stage, to help prevent homes becoming empty long-term. Neighbourhood teams will support this by referring empty homes in their areas for further investigation by PRS case-work officers.

A number of local authorities have set up Empty Homes Matchmaker Schemes to help prospective buyers and sellers of empty homes find each other more easily. The feasibility of setting this up in Edinburgh will be investigated and will take place in consultation with PRS officers leading on the case-management.

Pledge 11	Encourage the development of cooperative housing arrangements

A report on the progress of this Pledge was provided to Health, Social Care and Housing Committee on 26 January 2016. The report highlighted that since 2013 the Housing Service has initiated or supported 20 co-operative and/or collaborative projects and initiatives. Key projects/initiatives are:

- Development and implementation of the Tenant Participation Strategy (TPS), including setting up the Tenants Panel and a Tenant Led Inspection of repairs reporting process
- Collaborative consultation on re-shaping homelessness prevention services
- Co-operative community engagement in new Council-led housing developments
- Stair cleaning co-operative pilot
- Rent Matters Working Group set up with tenants to advise on development of the Housing Revenue Account (HRA) budget and assist the Council to scrutinise HRA cost allocations
- Support for Edinburgh Student Housing Co-op and Craigmillar Eco Housing Co-op
- Joining Our Power, which will be a nationwide supplier of affordable and renewable energy
- Commissioning consultants to help tenants at Lorne Street explore feasibility of setting up a housing co-operative (as one of a number of options being explored to help these tenants remain in their community).
- Collaborative working with partners, including housing association partners, to build new affordable homes in the city and make best use of existing homes. This is demonstrated through Edindex Partnership, working with veteran's organisations and working with health and social care partners.

The Co-operative Approaches to Housing Cross Party Sounding Board (now part of wider Housing Pledges Working Group) has been meeting quarterly since March 2013.

The Tenant Participation Strategy will continue to be implemented to maximise opportunities for tenants to be involved in reviewing and shaping services. Two further Tenant Led Inspections will be carried out in 2016. On 19 April 2016 Health, Social Care and Housing Committee approved the approach to shaping future tenant participation and engagement services. Officers will work with Edinburgh Tenants' Federation (ETF), the Neighbourhood Alliance (NA), the Tenant Participation Advisory Service and the Tenants' Information Service to co-produce a tenant participation and engagement service to support the development of services to tenants.

There are a number of groups and organisations in the city interested in developing housing co-ops. The Housing Service is planning to host a seminar to bring together these organisations to share ideas and expertise and consider how projects could be taken forward in a more strategic way and provide an opportunity for potential organisations to link up if they are keen to develop a similar type of project.

Pledge 12	Work with health, police and third sector agencies to expand existing and effective drug and alcohol treatment programmes

The Edinburgh Alcohol and Drug Partnership (EADP) is the strategic partnership, which addresses problems associated with alcohol and drug use. Partners include NHS Lothian, Police Scotland, the City of Edinburgh Council and third sector organisations. The vision within the EADP Strategy is that Edinburgh is a city which promotes a healthy and responsible attitude to alcohol and where recovery from problem alcohol and drug use is a reality.

A range of services have been jointly commissioned to ensure person centred support for people such as:

- New Offender recovery services started 1 April 2014
- New Centre for Women Offenders opened 17 March 2014
- The joint review of homelessness services resulted in the transfer of two services to Temporary Accommodation, the retention of a dry facility, development of pathways to EADP services and a significant increase in provision for homeless people in Edinburgh
- Establishment of step-down unit for people who have alcohol related brain damage
- Action plan for delivery of recovery-orientated system of care is in place from June 2014.

There is an ongoing commitment to ensuring that joint commissioning continues for future developments of services.

Pledge 13 — Enforce tenancy agreements (council and private landlord) with a view to ensuring tenants and landlords fulfil their good conduct responsibilities

Private Rented Sector

Private rented sector (PRS) enforcement action continues as the PRS Team focuses on addressing concerns from the community, landlords and letting agents on letting standards and compliance with landlord registration. This approach was endorsed by Regulatory Committee on 14 September 2015 (Update: Houses in Multiple Occupancy Market Review).

The PRS Team is working with partner organisations such as Police Scotland to ensure that landlords comply with standards and meet their legal responsibilities. 191 landlords have been formally reviewed for being 'fit and proper' (47 were referred to Licensing Sub-Committee for further consideration). Committee has refused and revoked registration from 13 landlords. The focus on tackling the most problematic landlords has resulted in two reports being submitted to the procurator fiscal detailing a total of 4 offences.

In 2015 consultation responses on the New Tenancy for Private Rented Sector and Code of Practice for Letting Agents were submitted. The proposals reinforce the need for landlords (and tenants) to fulfil their good conduct responsibilities.

Since coming into force in December 2015 new powers have been implemented to address repairing standards in the private rented sector and ensure that landlords comply with repairing standards e.g. increased standards on electrical safety.

Council Tenants

There is ongoing enforcement of rent collection and compliance with pre-action requirements for court. The rent service has been re-designed with new payment methods introduced and to mitigate against the impacts of welfare reform. The new rent payment cards, which provide a convenient option for tenants to meet their rent payment responsibilities, have contributed nearly £6m in rental income since being launched in April 2015.

The Tenants' Courier publication continues to reinforce tenants' responsibilities towards their home, neighbours and community. The February 2016 edition focused on the results from the Rent Consultation ("Invest to Save"), highlighting ways the Housing Service could invest rents to help save tenants money.

The Tenant Handbook has been updated as part of ongoing communications on tenant responsibilities. It will reinforce key elements of tenant responsibilities:

- Payment of rent
- Reasonable behaviour (both within the home and wider neighbourhood)
- Respecting the environment (both within the home and wider neighbourhood).

Web pages will be updated to tie in with tenant responsibility messages. The Tenant Handbook will be published May 2016.

Pledge 14 — Strengthen Council housing allocation policy to give recognition to good tenants and to encourage responsible tenant behaviour and responsibilities

A Review of Letting Policy for Affordable Rented Homes was reported to Health, Social Care and Housing Committee on 19 April 2016. This report sets out proposals for consultation to review the existing Lettings Policy. The draft policy proposes that where Council homes are being let in new build developments, preference will be given in local lettings plans for current Council tenants (assuming the tenants have established rent payment arrangements and have no history of anti social behaviour).

The Allocation Policy Review also needs to be completed to take account of the Housing (Scotland) Act 2014 which sets out the new legislative framework for tenancy management and allocations. A review of Council tenancy management and allocation policies has been carried out to reflect changes in legislation and regulatory framework as further guidance and consultation comes forward.

Housing and Regulatory Services is promoting an award for Council tenants to nominate/be nominated by neighbours, when it is felt that they have gone 'the extra mile' within their neighbourhood/community. This has been discussed at the Housing Pledges Working Group and with Edinburgh Tenant Federation representatives. The Award will be advertised in the next edition of the Tenants' Courier, with volunteers being sought from the Tenants' Panel and Registered Tenants Organisations (RTOs) to assess the applications, alongside Housing staff. It is anticipated that there will be one winner picked for each locality and each will relieve a prize at a small awards ceremony over the summer. Details of the winners will be publicised in the following Tenants' Courier.

Provide for Edinburgh's economic growth and prosperity

15	Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors
16	Examine ways to source new funding to support small businesses
17	Continue efforts to develop the City's gap sites and encourage regeneration
18	Complete the tram project in accordance with current plans
19	Keep Lothian Buses in public hands and encourage the improvement of routes and times
20	Work with the Scottish Government to deliver a larger return of business rate receipts as part of the business rate incentivisation scheme
21	Consult further on the viability and legality of a transient visitor levy
22	Set up an independent forum to promote locally-owned retail businesses
23	Identify unused Council premises to offer on short low-cost lets to small businesses, community groups and other interested parties
24	Maintain and enhance support for our world-famous festivals and events
25	Introduce a "living wage" (currently set at £7.20) for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development
26	Establish a policy of no compulsory redundancies
27	Seek to work in full partnership with Council staff and their representatives
28	Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the City
29	Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work
30	Continue to maintain a sound financial position including long term financial planning
31	Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure

Pledge 15 **Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors**

The Economic Development Service is working with several organisations to promote Edinburgh to investors in line with the Council's Economic Strategy "A Strategy for Jobs 2012 – 2017". Performance against the key performance indicators for measuring progress against the Economic Strategy remains strong and is on course to achieving the March 2017 targets for physical investment and jobs. Since April 2015 to March 2016, economic development has supported £797 million of physical investment and supported the creation or safeguarding of 4,257 jobs.

The Investor Support team targets investors in specific sectors and geographies using a range of methods including attending/ hosting sector events, engaging with existing contacts and building on civic links to raise Edinburgh's profile in important markets.

Highlights over the last six months include:

- Hosting a high-level business roundtable with the Lord Mayor of the City of London, Innovate Finance and SFE. The focus was on collaboration on the fintech sector at local, national and global levels.
- The continued promotion of Edinburgh to potential investors and strengthening links and associations with other public bodies was accomplishing the following examples:
  - Attendance and promotion at the international property investors at MIPIM 2016.
  - Promotion of Edinburgh to international hotel investors at the International Hotel Investment Forum in Berlin. This was achieved in partnership with SDI.
  - Completing successful civic visits raising investment profiling opportunities with partners such as the Edinburgh Science Festival in November 2015 at UAE, and the Royal Edinburgh Military Tattoo in February 2016 at Australia and NZ.
  - Further raising Edinburgh's profile as an international investment location through new promotion of Invest Edinburgh Magazine at Gatwick airport (long haul and European arrival and departure gates).

- Lobbied at Scottish and UK levels for changes to the visa system which currently has an adverse impact on international talent attraction to Edinburgh.
- Supported the cities' four universities to increase student take-up from the UAE.
- Supported the Borders Railway investment project
- Increased targeting of investors using online platforms (e.g. Twitter and LinkedIn) resulting in greater engagement on the Invest Edinburgh website. The Invest Edinburgh films on YouTube have now received a total of over 248,000 views, including over 70,000 views in the important US market.

- There has also been continued development of investment interest from China. This has been achieved through the creative / tech sector showcase in the Edinburgh soft landing space located in Shenzhen. Five Edinburgh companies won the Create in Shenzhen competition to showcase their products / technology and partner with companies in Shenzhen in May 2016.

Pledge 16 — Examine ways to source new funding to support small businesses

The formation of "Business Loans Scotland Ltd" has passed the Pre Determination Qualification (PDQ) stage of the tender process. The opportunity to submit the full tender is expected to open imminently with the deadline for submissions being 35 days thereafter. It is anticipated that successful bidders will be notified in July and if successful Business Loans Scotland could be fully operational from August 2016.

Pledge 17 — Continue efforts to develop the City's gap sites and encourage regeneration

The Edinburgh 12 initiative is now in an advanced stage with seven sites partially complete, under construction or about to commence construction and a further three sites awaiting planning determination. Proposals for the next phase of the initiative are being consulted upon with key stakeholders.

Milestones:

- A total of £565.8 million (net) of investment into the physical regeneration of Edinburgh has been supported since April 2012.
- An application to the national Regeneration Capital Grant Fund for funding to restore the derelict Castle Mills Works on Fountainbridge was successful.

Pledge 18 — Complete the tram project in accordance with current plans

Edinburgh Trams commenced operations on 31 May 2014 running services between Edinburgh Airport and York Place. This involves 14km of tramway accommodating a mix of off-street running and dedicated and shared sections on-street. In the first year of passenger operations, almost five million passenger journeys were made, around 370,000 ahead of target.

Revenue from fares was 3% ahead of the business model target. Over this same period, Lothian Buses also seen a year on year rise in passenger numbers, which is encouraging to note and would suggest that public transport usage in Edinburgh is on the increase. The operator, Edinburgh Trams had a successful 2015, with month on month patronage and revenues exceeding those reported during the first year of operations. Passenger feedback obtained from the UK Tram Passenger Focus Survey 2014 saw Edinburgh Trams scoring ahead of most other UK tram systems, with an overall satisfaction rating of 94% (just behind the top rated, Nottingham system). The operator consistently operates in the high 90%'s when measuring planned vs completed journeys, which again, benchmarks very well compared to other UK systems.

On 10 December 2015, the Council approved the report 'Edinburgh Tram Extension – New Steps' and agreed to progress the principle of extending the tram network north to Newhaven, and instructed officers to establish a project board and procure a technical advisor to assist in the preparation of a full set of tender documents ready for a procurement process, which the Council will take into consideration in the Spring of 2017.

Pledge 19 — Keep Lothian Buses in public hands and encourage the improvement of routes and times

Transport for Edinburgh was established to manage and integrate bus and tram operations, build on the earlier success of Lothian Buses, and strengthen its position. Lothian Buses is improving a number of services, although a small fare increase was introduced on 10 April 2016. The Public and Accessible Transport Action Plan (PATAP) includes initiatives to help Lothian Buses and other bus operators improve routes and times. PATAP sets out future targets; the Transport and Environment Committee will receive a mid-term report in November 2016.

The new contract for all advertising and some non-advertising bus shelters is being implemented; it includes management, maintenance and cleaning of all bus shelters. The improved management and cleaning regime included in the contract will enhance the public transport experience (thus encouraging patronage).

Improved accessibility to bus stops, renewal and strengthening road surfaces at stops, integration of Bustracker and SEStran's real time information project (extending range of operators covered) have progressed over the period.

The Council's ability to support continuation of Lothian Buses in public hands, and encourage improvement of routes and times, has therefore focused on relatively small-scale improvement of existing assets.

This pledge is listed under the sub-heading 'Provide for Edinburgh's economic growth and prosperity', which correlates most closely with the Council's Business Plan 2016-20 priority 'Ensure Economic Vitality', and is strongly linked to 'Build Excellent Places'.

Pledge 20	Work with the Scottish Government to deliver a larger return of business rate receipts as part of the Business Rates Incentivisation Scheme (BRIS)

A Scotland-wide business rates incentivisation scheme was initially introduced in 2012/13 but after a number of concerns were expressed regarding its effectiveness was then suspended in 2013/14. A simplified scheme was put in place from 2014/15, with the aim of linking the assessment of growth in the local tax base more closely to factors within a council's control.

Upon completion of the audit of all councils' Non-Domestic Rates returns for 2014/15, in March 2016 the Scottish Government confirmed that seven of Scotland's thirty-two councils were entitled to incentivisation payments totalling £2.5m. Edinburgh was not one of the benefiting councils, however, with its actual buoyancy increase of 0.48% (i.e. the increase in the underlying tax base) falling significantly short of the target of 1.49%. The equivalent targets for 2015/16 and 2016/17 were also confirmed as 1.1% and 0.9% respectively (the latter provisional at this stage).

While the purchase of software to assist in identifying any properties that may have been missed from the valuation roll has not been ruled out, it is not being actively pursued at this time. This is due both to the extent of increase required to attain the target (and thereby fund the additional investment) and on-going volatility in year-on-year tax base levels.

Pledge 21	Consult further on the viability and legality of a transient visitor levy

Discussions to consider additional means to raise revenue in order to protect Edinburgh's cultural competitiveness are being taken forward as part of the City Deal negotiations with the Scottish Government. However these remain subject to further discussion and political endorsement. Further information to be provided as this links to the Edinburgh and South East City Region Deal.

Pledge 22	Set up an independent forum to promote locally-owned retail businesses

The main aim is to work collaboratively to provide neighbourhood town centre support and improve viability of small independent retailers. Council staff continue to collaborate with the many existing groups already in place. A number of projects have been delivered over the last 6 months including:

- 2 workshops tailored to support retailers delivered in collaboration with the Business Gateway and FSB in November 2015. These workshops were targeted at Leith and Gorgie / Dalry which have highest vacancy rates. There were a total of 8 businesses that participated.
- Small Business Saturday (SBS) – collaborated with Business Gateway to deliver a Christmas market within Waverley Court featuring 15 local businesses in collaboration with Love from Indie Street I Love Indie Street collective.
- Stockbridge – collaborated with SBS, Traders Group and Neighbourhood Partnership to deliver Christmas programme – Stocking themed window dressing, extended opening hours, Santa at Parade and Christmas lights switch on.
- Safer Stockbridge – collaborated with Neighbourhood Partnership and Police Scotland to promote event to support businesses in crime prevention
- Portobello – supported Christmas poster campaign to drive footfall and extend trading hours on the high street.
- Vintage Brochure – collaborated with Libraries to launch Edition 2 featuring 110 businesses to drive footfall city wide. Secured in kind sponsorship from G&V Hotel for catering, provision of a model for photo shoot and prizes for a competition to promote the vintage sector. Completed distribution of 10,000 copies throughout library network and in major information centres throughout the Central belt.
- Support to Edinburgh's Business Improvement Districts which deliver circa £1.3m levy per year and represent 1,142 businesses. Highlights include: Greater Grassmarket selected as the first Neat Street outside of London to promote the area under a Keep Scotland Beautiful environmental campaign; and the inaugural Vintage Market which recorded an uplift in footfall of 60% over the weekend;

- Queensferry Ambition collaborating with Scottish Government, Royal Navy, War Graves Commission and Fife Council to deliver activities on the high street to commemorate the anniversary of the Battle of Jutland.

The retail vacancy rates was collected and collated across Edinburgh's 8 town centres. The retail vacancy rate for 2015/16 is 6.85%, which is below the Scottish average of 9.1%.

Pledge 23	Identify unused council premises to offer on short low-cost lets to small businesses, community groups and other interested parties

The Council's non-operational property portfolio provides accommodation for over 1,000 business, charities and community groups throughout the city. Included in this figure are properties let at concessionary rents i.e. less than market value. Vacancy rates within the commercial portfolio are currently extremely low and this, coupled with the focus on maximising income and progressively moving away from concessionary lets, as outlined in the Asset Management Strategy business case, means opportunities for low cost, short-term lets are becoming fewer.

Nonetheless, the service maintains a database of property requirements received from business, charities and community groups and, given the size and diversity of the Council's property portfolio, there are still occasional opportunities to offer properties at relatively low levels of rent and for short periods. Short term lets have also been agreed for properties within the capital receipts programme, for example, where a sale is agreed but pending the purification of conditions.

As the Council's property rationalisation programme gathers pace, there is the potential for operational buildings declared surplus to be made available on a low cost short term basis.

Pledge 24	Maintain and enhance support for our world-famous festivals and events

Edinburgh has 12 major festivals which work together as Festivals Edinburgh. An independent study assessed the full range of their impacts in 2010; their positive impacts included improving quality of life for residents; building capacity amongst volunteers and temporary workers; building confidence and inspiring creativity; developing skills and talents of performers; attracting tourists and journalists; building Edinburgh's reputation worldwide; over 4 million visits to Edinburgh each year and an economic impact of £245m for the city. Nevertheless, other cities in the UK and around the world have created their own festivals and are attracting increasing attention, funding and visitors. The 2006 Thundering Hooves Study and its resulting Action Plan focused on what Edinburgh must do to stay ahead of this competition. Major events also have numerous similar benefits for the city.

The Corporate Policy and Strategy Committee of 3 November 2015 considered the strategic importance of the proposed core programme of Festivals and Events for 2016 and some other events in later years and noted that the Council would provide £200k of funding to the Festivals over the period 2015/16 to 2017/18 to enable forward planning and commissioning for the 70th anniversary year of the Festival City in 2017. The core programme was approved by the Culture and Sport Committee on 30 November 2015. That same meeting also approved the Council's new Culture Plan, which includes a number of actions relevant to the successful delivery of major festivals and events.

The new Thundering Hooves 2.0 (TH2.0), a Ten Year Strategy to Sustain the Success of Edinburgh's Festivals, was launched in May 2015. The Council committed to support the ambitions of TH2.0 and report on progress with annual 'health checks' to the Corporate Policy and Strategy Cttee. The first baseline health check was reported to the Culture and Sport and Corporate Policy and Strategy Committees on 8 March 2016 and 12 April 2016 respectively.

Progress towards a new Events Strategy for Edinburgh was presented to the Culture and Sport Committee on 8 March 2016, and the final draft Strategy was presented for approval to the Committee's meeting of 31 May 2016. This reflects the updated national events strategy, Scotland: the perfect stage, and the objectives of the Council's Business Plan and Culture Plan, as well as the Council's Physical Activity and Sport Strategy. The Strategy outlines the criteria that events must meet in order to be selected as part of the city's new events portfolio, and the three levels of event which will qualify from now on: major international events; national events; and events bespoke for the city and timed to complement its existing programme of major festivals and other annual and biennial events.

A programme of international projects and events delivered between November 2015 and April 2016 has included support for the Royal Edinburgh Military Tattoo's tour programme in Australia and New Zealand, initiating bi-lateral talks for three Festivals with Munich, and the hosting of a Consular Corps briefing on Edinburgh's cultural assets. The Council has also progressed cultural projects and links with twin and partner cities including Krakow and Florence.

Pledge 25 — Introduce a "living wage" (currently set at £7.85) for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development

The Living Wage in the Council was increased to £7.97 in April 2015 and to £8.33 in April 2016. As agreed through CoSLA, these amounts include the national pay awards of 1.5% and 1% over the two year period. Around 2,500 Council employees benefit from the Living Wage, with an associated additional annual cost of £2.2M.

Discussions are ongoing between CoSLA and the Trades Unions on implementing the Living Wage as the lowest hourly rate for Local Government Employees. No agreement has yet been reached.

The Finance and Resources Committee agreed at its meeting in January 2016, to the adoption of the Scottish Government's Statutory Guidance on Fair Work Practices, including the Living Wage in Procurement as standard in tender evaluations; and to commence the process towards becoming an accredited Living Wage employer. The report can be found here.

The current Living Wage rate of £8.33 impacts up to spinal column point 18 on the Council's pay and grading structure which is midway through GR3. This erodes the pay differentials between supervisors and staff.

Planned future action includes: continue to apply the Living Wage in the Council's pay structure and encourage the adoption of the living wage by Council Contractors and other businesses in Edinburgh; work through the process to become an accredited Living Wage employer; ongoing consultation with the Trades Unions and other stakeholders.

Pledge 26 — Establish a policy of no compulsory redundancies

The Council currently has a redundancy procedure with a provision for compulsory redundancy. However, this has not been used in practice and a commitment has been made to exhaust all other options and to facilitate exit on a voluntary redundancy basis or through redeployment. Close monitoring of both policy and practice continues during transformation.

The challenges which remain are; the impact on approach to organisation reviews; the impact on employment policies such as redeployment, together with the associated cost implications; the availability of suitable alternative employment; the impact on resources needed to support this approach.

The continuation of a no compulsory redundancy pledge in practice and a focus on voluntary release and internal redeployment with supporting training, where possible.

The commitment will continue to be progressed through consultation with elected members, the Corporate Leadership Team and the Trades Unions.

Pledge 27 — Seek to work in full partnership with Council staff and their representatives

Strong working relationships between the Council and the Trades Unions continue. A well developed structure of formal and informal consultation and negotiating meetings operates at corporate and service levels. These meetings cover proposed amendments to terms and conditions of employment, organisational reviews, health and safety requirements, project based change initiatives and budget updates.

The development of employment policy/procedure continues to be undertaken in consultation with the Trades Unions using an agreed model that encourages trade union input to both development and implementation of the final policy/procedure as a collective agreement.

Engagement with all Council staff remains an important focus through Talk with Andrew, Director and staff sessions at service level, organisational review consultation and communications such as Newsbeat. Staff have also been asked to contribute, individually, as teams/groups or at engagement events, to the Transformation Programme.

A key challenge is ensuring good, consistent staff engagement practices at a time of significant change and financial pressures.

Positive working together with the Trades Unions and engagement with staff to achieve Council objectives.

Full partnership working with Trades Unions will involve establishing a joint strategy, agenda, goals and objectives and collaborative working.

Partnership working between elected members, staff and TUs will be achieved through empowerment and the opportunity to influence decisions.

Pledge 28 ✔	Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the City

The well being of the city and strong business community links are established and enhanced by a number of projects. Strong international links are promoted via a range on external relations and investor support activities including the Shenzhen & Edinburgh collaborations. In addition to this there are continued strong links to the business community and implementing strategies promoted by the activities of Edinburgh Business Forum, and the work towards the Edinburgh and South East Scotland City region.

Work of the Edinburgh Business Forum and City Deal

Six local authorities that make up the Edinburgh and South East Scotland City region are working collectively on a bid to the UK and Scottish Governments for a City Region Deal. The Edinburgh Business Forum will continue to support the Council and its partners as the City Region Deal is progressed.

Milestones:

- Progress on the City Region Deal was discussed at the EBF's Strategy Meeting on 6 April. The Council and its partners continue to progress the City region Deal and will seek support from the EBF as need is identified.
- On 17 February 2016 members of the Edinburgh Business Forum, along with some of their business contacts, attended Creative Edinburgh's Creative & Corporate Love event. Designed to bring the creative and corporate communities together, the theme of the evening was 'A Celebration of the Power of Great Partnerships'.

Strong International links

External Relations and Investor Support activities continue to manage international protocol and relations for new business development:

Milestones:

- Delivering on the Memorandum of Understanding (MoU) between Edinburgh and Shenzhen by focusing on providing support to the outward sector showcase to China in May 2016 and continuing to harness inward investment opportunities
- Successful promotion of the 'Create in Shenzhen' competition, resulting in five Edinburgh based creative and tech companies accompanying the Edinburgh outward delegation to Shenzhen in May 2016. This supports the ongoing deliverables in the Memorandum of Understanding between Edinburgh and Shenzhen. This will contribute towards further partnering opportunities for Edinburgh companies and on delivering on future inward investment potential.
- Supporting University endorsement of the Edinburgh-China Airlink Project from Edinburgh's four universities.
- Support the University and Business demand in the city for Student Post-Study work visa reform
- Arranging for a visit of EUROCITIES Secretary General to Edinburgh to meet with and brief key players across the city in order to strengthen Edinburgh's position within the network and bolster its involvement and capacity to benefit from EUROCITIES membership.

Pledge 29 ✔	Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work

During 2015/16 a total of 122 Council apprentices were supported representing 1.1% of FTE workforce, with the majority graduating and securing main grade posts.

In November 54 apprentices graduated from the Council Apprenticeship programme leaving 68 individuals still working toward completion of their apprenticeship.

The Council has also worked in conjunction with NHS Lothian to recruit 24 young people with autism onto the Project SEARCH programme to help them make the transition into work.

This high retention rate following participation on our youth programmes means that the Council's workforce is significantly increasing in the 16 to 24 age bracket and this age group now represent 8% of the Council's workforce.

Due to current recruitment constraints and the uncertainty in the Council arising from the transformation programme only 21 new apprentices were recruited in 2015/16, below the target of 50 per year, and at the moment only 36 new apprenticeships have been indentified for recruitment in 2016/17. Meaning that in the short term the target of apprentices being at least 1% of the Council's FTE workforce will not be sustained.

However there is still a strong willingness within Council services to support apprenticeships and it is anticipated that numbers will pick up again following the conclusion of the transformation process bringing numbers back up to target levels. This situation is being actively monitored.

In future, to build on the work of the Edinburgh Guarantee and Project SEARCH, it is planned to look further on how young people with disabilities can be support into Council employment or the wider job market and this action will progressed once the Council restructuring has significantly concluded.

Pledge 30 — Continue to maintain a sound financial position including long-term financial planning

A report will be presented to Council in 30 June advising on the Council's unaudited outturn for 2015/16, showing a balanced overall position for the ninth successive year and all services maintaining expenditure within budgeted levels. This outturn position takes account of the action taken in September 2015 to address underlying pressures within Health and Social Care.

On 21 January 2016, the Council approved a firm balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to confirmation of actual grant funding allocations.

With the intention of supporting the areas concerned returning to a sustainable financial footing, the approved budget framework includes additional service investment in both Health and Social Care and Corporate Property, funded by means of a range of transformation programme and service prioritisation-based savings within these functions and across the Council as a whole. The combined impact of this service investment, cost pressures arising from legislative change, continuing increases in demographic-led demand, inflationary uplifts and a cash-terms reduction in grant funding means that over £70m of savings require to be delivered in 2016/17 alone. Given this position and building on the improved scrutiny of the delivery of approved savings proposals and management of risks and pressures put in place for 2015/16, the first "budget challenge" meetings involving Directors and key elected members have been held, with a further round taking place in June. These meetings are being supplemented by monthly Corporate Leadership Team consideration and discussion.

The Capital Coalition has also initiated a mid-year review, at which point members will consider progress in delivering approved savings for 2016/17 and develop, as appropriate, specific proposals for some of the more transformational savings previously approved in principle for 2017/18. These proposals, subject to any further measures that may be required, will then form the basis of around ten weeks' public engagement and consultation.

The extent of progress made in addressing the Council's financial challenges was highlighted in the Council's 2016 Best Value Audit. The Accounts Commission concluded that the Council has a clear strategy for changing the way it delivers services, reducing its workforce and achieving substantial financial savings, with elected members and senior managers having a shared understanding of the challenges facing the Council and the action that needs to be taken.

Pledge 31 — Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure

Since the Edinburgh Cultural Venues Study, which described priorities for investment, was reported to the Culture and Leisure Committee in May 2009, the following projects have been completed: the Usher Hall; the Church Hill Theatre; the National Museum; new stands for the Tattoo; the Assembly Rooms; interim investment in the King's Theatre; and the Studio development at the Festival City Theatre. The Council would expect to facilitate or support developments of venues in non-Council ownership or management through strategic rather than fiscal mechanisms such as site ownership and planning options.

The Council's Museums and Galleries continue to undergo a range of physical improvements and customer-focused enhancements. The Museum of Edinburgh officially launched its new visitor attraction and extended and refurbished facilities in July 2012; improvements in the City Art Centre are now complete; improvements to the Writers' Museum were completed earlier in 2016 and improvements are planned at the Museum of Childhood. The Culture and Sport service grant funds 36 cultural clients in the city who make a significant contribution to the success of the city's cultural infrastructure, and the new Culture Plan, approved on 30 November 2015, includes many actions which are designed to support the city's creative and cultural success.

The Fruitmarket Gallery has secured a development award of £100,000. This will enable the Gallery to further develop its plans to refurbish and extend the existing gallery on Market Street. The Council provides strategic support to the Fruitmarket Gallery to achieve shared aspirations and has also offered office and storage facilities at the City Art Centre during the refurbishment of the Fruitmarket Gallery.

Phase 2 of the Calton Hill project is under way. This project is redeveloping the Old City Observatory complex, a site of historic significance, and has brought it back into public use. The Council committed £900,000 to relocate the Collective Gallery to the refurbished City Observatory complex. Around 20% of the capital funding required to complete this project is being pursued by the Collective Gallery. In the meantime, the Court of Session has granted authority for the Council to enter into a 25-year lease with Collective Gallery for the Old City Observatory, the City Dome and the grounds in which they sit. In October 2015, the Council and Collective Gallery secured a £1.3m Heritage Lottery Fund, £905,000 Creative Scotland grant and £233,000 by Historic Scotland via the Edinburgh World Heritage Trust for the project.

Edinburgh Printmakers is redeveloping the historic North British Rubber Company HQ building 'Castle Mill Works' in Fountainbridge to open in late 2018. This £10m project will provide an arts centre and creative industries hub with unique facilities (including a printmaking studio with facilities for artists and the public alike) and opportunities for today's creative community. The Council supported bids by Edinburgh Printmakers to other bodies for funding towards this project, including an application to Heritage Enterprise for £5m of funding from The Heritage Lottery Fund and the Printmakers' Stage 2 application to the Regeneration Capital Grant Fund for over £1.9m. Both of these bids have been approved, the latter in February 2016.

West Princes Street Gardens, in the heart of a UNESCO World Heritage Site and home to the Ross Bandstand and the Ross Fountain, provides leisure and cultural opportunities for residents and visitors alike and is regularly seen by millions around the world when it plays host to elements of Edinburgh International Festival and Edinburgh's Hogmanay. The Ross Bandstand is no longer fit for purpose and requires to be replaced, the Ross Fountain requires refurbishment, and other elements of the Gardens would also benefit from investment. On 12 April 2016, Corporate Policy and Strategy Committee noted that Norman Springford, a potential benefactor, has formed a steering group and offered to support the Council to identify external funding for the above substantial programme of work for these significant assets, taking into account the requirements of relevant legislation and risks inherent in the location. A further report will be presented to Council in June, once the optimum way forward has been identified.

The city's reputation as the cultural capital of the world has been promoted by a range of cultural and economy activities, these include:

- Collaborating with the City of Literature Trust, Scottish Poetry Library, Royal Conservatoire of Scotland, Edinburgh College, Talbot Rice Gallery and the Italian Cultural Institute to produce a multi-media cultural event with twin city Florence in 2015.
- Hosted a civic reception for the Festival City Network in August.
- Received delegations as part of the Momentum programme run by Festivals Edinburgh, British Council and Creative Scotland.
- Run a two part heritage workshop in Edinburgh and in Krakow in April and September including a literature swap with the City of Literature Trust, building further cultural links between the two cities.
- Supporting the Lord Provost overseas travel with the Royal Edinburgh Military Tattoo by arranging meetings, events and preparation of speeches to promote Edinburgh's festival status.

Submitting a successful Council application securing Edinburgh participation in a study visit to Barcelona, as part of the Eurocities Culture and Regions project funded under the EU's Creative Europe programme.

Strengthen and support our communities and keep them safe

- 32 Develop and strengthen local community links with the police
- 33 Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used
- 34 Work with police on an anti-social behaviour unit to target persistent offenders
- 35 Continue to develop the diversity of services provided by our libraries

Pledge 32 — Develop and strengthen local community links with the police

In 2015/16, the City of Edinburgh Council provided £2.6m to Police Scotland to supplement the provision of community policing services in Edinburgh. The funded resources in 2015/16 covers two main elements namely; 41 named community police officers embedded in the localities and tasked through the monthly local Community Improvements Partnerships (CIPS's) and the Divisional Violence Reduction Unit which includes a named inspector and 14 constables that are deployed across the city to meet identified needs.

During the last six months funded officers have been involved in a range of local and city wide activities including but not limited to: (for a full report visit Community Policing Performance Update)

- High visibility patrols throughout all localities including focused patrols around Hunter Square where there are issues with street begging;
- Attending community engagement events providing advice and information on crime prevention;
- Working alongside Council staff delivering days of action in response to complaints of antisocial behaviour (in communities and schools);
- Carrying out stop/searches across Edinburgh resulting in 19 positive drug searches including the recovery of over £1,300 of heroin; and
- Coordinated days of action consisting of warrant checks, anti-violence patrols, drugs, stolen property and road safety.

In addition to the monthly local CIP's, thematic city wide CIP's have been set up to provide a co-ordinated response to tackling emerging issues. These CIP's are short-term; focusing on specific issues including New Psychoactive Substances (NPS) and street begging.

Due to the work of the NPS CIP and a Temporary Class Drug Order, Edinburgh has experienced a downward trend in NPS activity. NPS activity is now monitored at local neighbourhood CIPs on the understanding that any future emerging issues will be escalated to the citywide strategic CIP to oversee and respond to as necessary.

A new citywide CIP focusing on street begging has also recently been set up, initiating an analysis and audit of street begging. The findings will help inform an action plan that will be delivered in partnership with the various services in the Council including Trading Standards and Licensing, as well as Police Scotland, Fire and Rescue Service, NHS and Street Work.

The funded officers are linked to a Service Level Agreement which is under review in order to cover the Council's agreed funding of the same amount for 2016/17. The revised SLA will be presented to the September 2016 Police and Fire Scrutiny Committee.

Pledge 33 — Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used

Work has continued on the delivery of an improvement programme to strengthen the Neighbourhood Partnerships (NPs). This work is subject to continuous review, with progress reported regularly to the Communities and Neighbourhoods Committee. Key areas of current activity include establishing the new localities model, with the NPs providing the foundation of the approach to collaborative working to empower and improve outcomes for communities.

Significant progress has been made in developing participatory budgeting (PB). This is a key programme of work for NPs and provides a vehicle for strengthening their established role of involving communities in the identification of local priorities, mobilising local knowledge to shape service solutions and deciding on the allocation of resources to address local needs. A number of PB initiatives have been delivered including 'Leith Decides', 'Youth Talk £ead the Change' in Liberton & Gilmerton NP, 'Grant a Grand' in South West NP and 'South Centra£ Decides – Your Voice Your Choice'. Scottish Government funding (£82,750) is supporting the delivery of two work streams, a 10 day package of PB expert support and a programme to match fund planned PB activity and programme development. Five support sessions have been delivered during the period, three awareness raising sessions for the third sector, community planning partners and elected members and two development sessions targeted on specific PB initiatives. All key stakeholders have participated: elected members, Council officers, NHS Lothian, Police Scotland, Fire and Rescue Service, third sector and the community. £45,000 of the funding is being used to match fund four PB initiatives and the remainder to support marketing and promotion, the development of a PB video, brand development and specialist support to encourage participation from communities of interest. Ideas and tools developed through this equalities work stream will support the NP Equalities Working Group which has been delivering a programme to support the participation of people with protected characteristics across the NPs. This includes the production of staff guidance, improvements to the monitoring and evaluation framework and implementation of a pilot initiative of enhanced direct support.

As part of the joint working with the Scottish Government, the PB Development Group participated in research carried out by the Democratic Society on the use of digital tools to support PB. The findings, which have now been published, offer a number of recommendations in progressing e-engagement as part of a PB process that will inform future approaches. Enhancing e-engagement and the NP online presence as a means of strengthening community engagement is a key element of the NP communications approach agreed by the Communities and Neighbourhoods Committee in June 2014. Activity in this area has focused on the NP Twitter account, which has grown to 491 followers, and the Pinterest board, which has 350 followers and over 100 achievements pinned. Further developments in relation to the NP website, training and promotions are planned.

Recognising the important role Community Councils play in NPs and the city, a range of activity has been delivered. This includes the production of a new governance protocol for community council elections, agreed by Council in March 2016, in preparation for the triennial elections scheduled for Autumn 2016, and the completion of the current support programme. Sessions on social media, Planning, funding and how the Council works were delivered between November 2015 and February 2016. 144 participants from 30 Community Councils took part in the programme overall. Feedback was extremely positive with community councillors rating as high the relevance of the sessions and their value in supporting them in their role.

Supporting tenant involvement is also an important area of work. Key activities delivered during the period include the Tenants' Survey and rent consultation. The Tenants' Survey comprised face to face interviews with 1,000 tenants. The findings showed continued high levels of satisfaction with the service overall and a significant increase in satisfaction that tenants' views are listened to and acted on, up from 73% to 81%. The rent consultation sought tenants' views on priorities for the Housing Revenue Account. Tenants were actively involved in the design and delivery of the consultation which helped to secure a significant increase in responses. The consultation findings informed the development of a new strategic approach to prioritising investment to directly reduce tenants' cost of living.

Recognising the role of the business sector in supporting communities and the work of NPs, a survey of participants was carried out at the 'Meet the Funder's event in December 2015 to explore opportunities for business support to community groups. A further survey will be carried out at the next event in May 2016, with the information being used to inform the development of the City's Corporate Social Responsibility Framework.

Alongside the above activity, actions to address the priorities in the NP Local Community Plans 2014-17 continue, complemented by the implementation of the refreshed performance framework. With the existing plans ending next year, planning is underway on the development programme for new plans which will inform the new Locality Improvement Plans required under the Community Empowerment (Scotland) Act.

Pledge 34 — Work with police on an anti-social behaviour unit to target persistent offenders

Since June 2013 when the ASB Review Group was established to support the Coalition Pledge 34, 166 complex cases have been reviewed. Based on the analysis of these cases, noise complaints have been identified as the most common category across all neighbourhoods, however upon further analysis the figures show that when noise is the source of the compliant those cases reviewed had an underlying support need due to alcohol, drugs or mental health. A comprehensive ASB Review Group - Update will be presented to the Health, Social Care and Housing Committee on 21 June 2016. In response to these findings various initiatives and working practices, including the development of a new Mediation Service has been taken forward.

Mediation Service

In September 2015, The Community Protection Support Unit launched the Council's new Community Mediation Service. The service is free and available to all of Edinburgh's citizens who are experiencing antisocial behaviour. Referrals are made by community safety officers who have carried out an initial investigation and recommends mediation as a possible way forward for neighbours who are in conflict with each other.

Referrals are also accepted from Housing Associations, however, there is a small fee charged to the association.

On the whole Community Mediation deals primarily with noise between neighbours and works to tackle issues between tenants before they escalate.

Summer Review

In order to ensure that the Group mirrors the arrangements being established through the Transformation Programme, a review of membership and current processes is underway.

Pledge 35	Continue to develop the diversity of services provided by our libraries

Edinburgh's Library and Information Services have continued to develop and expand services delivering on the Next Generation Libraries Strategy. Library services are maintaining high levels of performance, delivering innovative electronic services, and widening access to literacy and digital skills programmes.

The Gold Standards programme, now including youth and customer engagement measures, continues to assess libraries with the assistance of external judges. 18 libraries have now achieved Gold Standard status.

The Scottish Government initiatives 'Read, Write, Count' and 'Every Child a Library Member' were launched in 2015 for implementation in 2016. The Read, Write Count Initiative launched in Edinburgh at Wester Hailes Library on National Libraries day (6 Feb) and is being promoted at all Edinburgh Libraries with Scottish Government funded books and events. Working in partnership with local Registrars Offices the Library service is delivering Every Child a Library Member by offering library membership on registration of births, at Bookbug sessions and through Read Write Count gifting activities.

The Peoples Network refresh and upgrade programme of public access computers and internet services to support digital inclusion and channel shift completed in November 2015. The refreshed service provides screen reading software on all computers, improved security and printing for customers. PC usage has increased by 11% in the 4 months since completion of the programme.

Customer use of online library resources and services has increased by 4% compared to 2014/15. A new newspaper service providing access to newspapers in multiple languages has averaged 3,000 accesses per month since its introduction in November. Download of books, magazines, newspapers and music increased by 50% to just over 234,000 for the year 2015/16.

The three year Macmillan Cancer Support funded programme will provide a volunteer led information and support service for people affected by cancer in a library setting. Three staff have been recruited for the project and a Macmillan @ Edinburgh Libraries Steering Group set up. The Steering Group includes representatives from Macmillan Cancer Support, Health and Social Care, Edinburgh Volunteer Centre, Cancer Support Scotland, and other Macmillan funded programmes in Edinburgh. The Steering Group has agreed that the first two sites for development of Cancer Information and Support Service points will be within Central Library and Craigmillar Library.

A group of young people at Moredun Library have been at the centre of YouthTalk, a partnership project which began in South Edinburgh, and has been delivered through libraries across the city to engage and involve young people in shaping local service provision. YouthTalk won the Community Engagement Award at the Scottish Government Public Services Award ceremony and has successfully engaged with thousands of young people, gathering their views to influence statutory and voluntary services to improve local quality of life.

Ensure that Edinburgh is well-cared for and promote the wellbeing of our residents

36 Develop improved partnership working across the capital and with the voluntary sector to build on the “Total Craigroyston” model

37 Examine ways to bring the Council, care home staff and users together into co-operatives to provide the means to make life better for care home users and care providers

38 Promote direct payments in health and social care

39 Establish a care champion to represent carers

40 Work with Edinburgh World Heritage Trust and other stakeholders to conserve the City’s built heritage

41 Take firm action to resolve issues surrounding the Council’s property services

42 Continue to support and invest in our sporting infrastructure

43 Invest in healthy living and fitness advice for those in most need

Pledge 36	Develop improved partnership working across the capital and with the voluntary sector to build on the “Total Craigroyston” model

Edinburgh Partnership

The Edinburgh Partnership’s Community Plan 2015/18 (SOA 5) incorporates 12 Partnership priorities under four Strategic Outcomes:

- Edinburgh’s economy delivers increased investment, jobs and opportunities for all
- Edinburgh’s citizens experience improved health and wellbeing with reduced inequalities
- Edinburgh’s children and young people enjoy their childhood and fulfil their potential
- Edinburgh’s communities are safer and have improved physical and social fabric

Recently, the Partnership has focused on: (i) minimising the risk to delivering outcome commitments, (ii) implications arising from the formation of the Integrated Joint Board/Health and Social Care Partnership, (iii) impact of the Community Empowerment (Scotland) Act Duties and (iv) consolidating the approach to mitigating poverty and inequality.

Total Place and Locality Transformation

The value and benefit of ”Total Place" approaches continues to influence and shape locality-based approaches as part of the Council’s move to deliver services on the basis of four localities. The Locality Transformation Plan was profiled at committee in November 2016 and was followed by briefings in each locality in February and March 2016. Following confirmation of senior officer lead responsibilities, from 1 April 2016 Locality Management Boards have begun early dialogue with partners initially considering the formation of Locality Improvement Plans.

The 4 Locality Boards will work closely with the 12 Neighbourhood Partnerships as the Locality plans should connect with City Outcomes (as above) and neighbourhood outcomes.

Edinburgh Cooperative Capital Framework

Following Council’s decision in November 2014 to mainstream coproduction of Council policy, strategy and the design, delivery and review of services, and as reported in December 2015, substantial progress is being made in the coproduction of council policy and strategy and in designing and delivering community services. The Finance and Resources Committee is currently examining impacts upon procurement.

The Edinburgh COMPACT

Following the adoption of the Compact Partnership’s Strategic Framework 2015-20 in June 2015 and related Council commitments, the Compact Board has been working to: (i) ensure appropriate third sector interests’ representation with locality structures, (ii) ensure the continued application of Compact values and principles in areas of transformation in the City and (iii) develop early thinking on a new volunteering and active citizenship strategy.

The second Compact Political/Third Sector Forum on 10 June 2016 and will focus on transformation and maximising community assets.

In November 2015, the Council agreed to form Scotland’s first five year strategic partnership with third sector anchor organisations Edinburgh Voluntary Organisations Council (EVOC) and Volunteer Edinburgh (VE) accompanied by an in principle grant package. Subsequently in partnership with EVOC and VE, the Council agreed to invest in Edinburgh Social Enterprise Network’s proposals to examine social enterprise options for future service design and delivery – the Network will report findings in Spring 2017.

Council Transformation Programme - Payments to Third Parties

Most grant programmes have been refreshed by relevant executive committees during 2014-16 and a 10% reduction target has been identified within the Council's four year budget framework. Nonetheless, relations between the Council and third sector interests remain positive, due to continued application of Compact Values and partners efforts to coproduce new investment programmes. Following committee approval, oversight of all payments to third parties, i.e; grants and contracts is now undertaken by the Commercial and Procurement Service. The third annual social and economic contribution of the third sector will be presented to committee in September 2016 and will include impacts arising from of reduced council investment.

Pledge 37 ✔	Examine ways to bring the Council, care home staff and users together into co-operatives to provide the means to make life better for care home users and care providers

Work has been undertaken to improve quality of life for people who live in care homes and people who need support to remain in their own home. The focus has been on both creating a co-operative culture in health and social care services and the development of cooperative businesses, owned and run by and for their members whether they are customers, employees or residents.

A range of activity has taken place in care homes for older people to foster and embed a co-operative culture and ethos. Through the "Working Together to Achieve Excellent Care" programme, the project team has worked with residents, relatives, providers and NHS Lothian colleagues, to review care home resident participation strategies; providing meaningful activities for residents in a way that recognises their own life stories and interests and progressing a variety of workforce development initiatives which draw on the expertise to be found in the communities in which care homes are located. This participation tool is now used across the Council's care homes and allows for people's preferences to be included in their support planning.

Our Market Shaping Strategy makes clear our commitment to the development of co-operative and social enterprises and launched an Innovation Fund, worth £400k over 2 years, in October 2013. The Fund invited applications for a contribution of up to £50,000 towards the cost of developing health and social care co-operatives and social enterprises. The Fund has also supported initiatives being led by Edinburgh residents seeking to establish co-operatives dedicated to the long term care and support of their severely disabled adult relatives. The project to establish a service user owned cooperative to manage and deliver services to meet the care and support needs of three families of people with learning disabilities has progressed. Encompass Cooperative is now a registered company. The families are working well together and there are regular meetings with the families, Health and Social Care, and the Edinburgh Development Group (EDG).

Pledge 38 ●	Promote direct payments in health and social care

In April 2014, new Self Directed Support legislation came into force which increases people's choice and control over their social care supports. Ongoing monitoring of the take up of the different options available to people, of which Direct Payments is one, is in place.

The number of people receiving a direct payment in Edinburgh has increased each year from 120 during 2003-04 to 1,255 during 2014-2015 and continues to rise. The latest available national data for 2015 show that Edinburgh ranked fifth highest for the number of recipients (expressed as a rate per 10,000 population); and 15th highest for spend per head of the population.

Pledge 39 ✔	Establish a care champion to represent carers

It is important that carers feel valued and supported to continue in their caring role. The remit for the role of Carers' Champion was developed and agreed in partnership with carers' organisations in the City and progress reports about carer support services are provided to the Health, Social Care and Housing Committee.

Edinburgh's Joint Carers' Strategy has been developed in partnership with key local stakeholders from health, local authority, the voluntary sector and carers. The Strategy outlines local priorities and outcomes for carers in Edinburgh for the next two years to 2017. One priority is ensuring that carers are identified, referred, assessed and supported in a way that provides the best outcomes for them and the person they care for. Another to ensure that we are able to have the continued resources to provide support to carers and address the priority areas for both adult and young carers.

Various projects have now started including:

- Implementation of eight new carer support contracts with third sector providers for a range of services including respite; young adult carers (16-25) support; emotional support service; carer training; financial advice and welfare service; personalised support in NW,SE & SW Edinburgh.

- Additional supports, for example the carers supported hospital discharge service, have also been set up.
- New carer support schemes funded by the Change Fund have been implemented :
    1. Three 3rd Sector young carer support services
    2. Service Level Agreement with VOCAL Carers benefiting from short –term advocacy, welfare benefits support, training & stress management courses, learning opportunities, information & peer support, complex caring support, counseling, palliative carer support
    3. Transition Carer Advocacy Service: A confidential independent service for carers of people in mental health settings who will be returning to Lothian 'out of area' placement.
    4. BME Carer Support worker: Delivering training/information programmes
- Carers Week (June 2015) stalls in various council and NHS locations promoting carer support services with events across the city hosted by health and third sector organisations.
- Carer Awareness Training offered to all NHS Lothian and H&SC front line, acute and community setting staff which has created 65 Carer Champions.

Development through a co-production approach a new Grants Prospectus for carer support.

Pledge 40	Work with Edinburgh World Heritage Trust and other stakeholders to conserve the City's built heritage

The Council, along with Historic Environment Scotland, and Edinburgh World Heritage Trust (EWH) have a responsibility for safeguarding the Old and New Towns of Edinburgh World Heritage Site (WHS). The Management Plan for the WHS is currently under review and being taken forward by a Steering Group comprising representatives of the above partners. A revised Management Plan will be completed in time for World Heritage Day 2017 (18 April 2017). A communication strategy and a programme of public engagement have been developed by the World Heritage Site Steering Group.

The Council continues to support EWH. However, funding for 2016/17 has been cut by 5% in line with reductions across the whole of the voluntary sector. Nonetheless, a positive partnership remains in place and a Service Level Agreement exists between Historic Environment Scotland and the Council to support WHS co-ordination between the three organisations. This successful partnership has led to the support of an additional resource to help deliver the new Management Plan for the Old and New Towns World Heritage Site.

The state of conservation of the Site is currently under scrutiny in the light of recent development proposals such as Royal High School and St James Centre. Discussions are being held at a national level to ensure that Site management is robust.

The Forth Bridge was inscribed as Scotland's sixth WHS in July 2015. The associated Action Plan has been developed and is being implemented.

Progress continues to be made on the Royal Mile Action Plan. Projects such as the proposed urban garden for the Lawnmarket and the by-law to help address some of the retail issues have been explored with the community. Construction progress on the New Waverley site will add value to strands of the Royal Mile project. The 12 Closes project is being taken forward by EWH in collaboration with wider Council services.

A series of workshops has been held to develop details of a Wayfinding system. Consultants are currently working with the outputs from these workshops.

Pledge 41	Take firm action to resolve issues surrounding the Council's property services

Following the closure of the former Property Conservation service in April 2011, and subsequent police and independent investigations, a programme was put in place to close down the old Property Conservation service's outstanding workstreams and introduce a new Shared Repairs service.

In July 2014 an end-to-end transformation programme sponsored by the Chief Executive was established to resolve all outstanding complaints in relation to statutory notice work, to recover the sums due to the Council in respect of work and to develop and implement a new Shared Repairs service.

Property Conservation

Between September 2015 and March 2016 the Closure Programme has successfully completed the independent review and billing of 414 cases totalling £17.8m.

Suspended debt has also reduced from £6.4m to £1.5m the remainder of which is at various stages of investigation and recovery.

To date recovery is £12.9m collected/committed which represents a recovery rate of over 70%. Morton Fraser were given a contract extension in April 2015 to manage debt recovery and as at 31 March 2016 they have recovered £1.9m.

The settlements process in relation to outstanding historic complaints is now also complete. All 407 customers have been sent settlement offers with a collective value of £4.2m. There were also 1,731 affected owners who have also received settlement offers.

There were 11 legacy projects remaining which were handed back to the Council when the Thomson Bethune came to an end on 31 December 2015. These projects are being brought to conclusion by staff from the Edinburgh Shared Repairs service.

The Edinburgh Shared Repairs Service

The Edinburgh Shared Repairs service launched in September 2015 and has completed its pilot phase. The pilot took on 43 cases to test different stages of the process. These processes were :- customer contact (20 cases), Facilitation (3 cases), Intervention (17 cases) and Enforcement (3 cases)

The new service will have a phased implementation throughout the financial year 2016-17.

The key objectives are:

- To help maintain the fabric of the city by supporting, encouraging and enabling owners to take responsibility for planning and organising repairs and maintenance.
- To intervene when public health & safety is at risk due to unsafe buildings.
- To intervene when owners have exhausted all other reasonable means of agreeing and undertaking a repair.

The most recent update for both Property Conservation and Edinburgh Shared Repairs Service was presented to the Finance and Resources Committee on 17 March 2016.

Pledge 42 — Continue to support and invest in our sporting infrastructure

All of the city's Victorian swimming pools have been refurbished, and a major refurbishment of the Royal Commonwealth Pool was completed in early 2012. In April 2012 the Culture and Leisure Committee identified areas within the city to receive investment in pitches and pavilions, and subsequently invested £600k revenue to improve facilities f or pitch sports.

At its meeting on 28 May 2013, the Culture and Sport Committee approved £1.215m towards a cycling hub in Hunter's Hall Park. Following a public consultation, the Culture and Sport Committee in December 2014 approved the initiation of a tender process to begin construction of the cycling hub (to include an outdoor velodrome, a national/regional standard BMX track, a cycle speedway track) as well as two 3G synthetic pitches and an upgrade to the Jack Kane Sports Centre and Community Wing. Subsequent value engineering has removed the cycle speedway track from the plans for now, with the intention that it be delivered when funding becomes available. Consultants Faithful and Gould were appointed in May 2015 to take the project to the pre-build phase. An update to the Culture and Sport Committee on 31 May 2016 sought approval to take the project to the pre-construction phase.

At its meeting in February 2014, the Council allocated up to £200k for feasibility work into the future of Meadowbank Sports Centre and Stadium. The feasibility study was reported to the Corporate Policy and Strategy Committee in January 2015. On 12 February 2015, the Council agreed at its Budget meeting to support the redevelopment of Meadowbank by seeking to secure a funding package making the best use of public and private sector support. An update on the funding package was presented to the Corporate Policy and Strategy Committee on 29 September 2015 when it approved the next stage in developing a new Meadowbank.

In August 2015 the Culture and Sport Cttee noted that the Council, working with funding partners Edinburgh Leisure and the Cala Hockey Club, had secured additional funding from sportscotland to create a water-based hockey pitch at Meggetland. This new facility opened earlier this year.

In 2015/16 Edinburgh Leisure also invested in gymnastics equipment at a range of its venues, to expand its gymnastics coaching programme, refurbished the fitness facilities at Glenogle Swim Centre, carried out works at the Meadows Tennis Courts, and reduced its carbon emissions, energy use and water use through a range of sustainability initiatives. In addition, Edinburgh Leisure progressed investment in some of its venues which had been considered as part of a year-long citywide review by Max Associates of Council-owned sports services and facilities. Edinburgh Leisure has now invested in a new climbing product (called Clip n Climb) at the Edinburgh International Cimbing Arena, has refurbished the gym at the Craiglockhart Tennis Centre, and refurbished Gracemount Leisure Centre and extended its fitness facilities.

The Council and its partner Heriot-Watt University have each committed £2.5m capital towards the cost of constructing a National Performance Centre for Sport at Riccarton. The Council is working in partnership with Heriot-Watt University to deliver the new Centre on time and on budget. Construction is underway with the centre, now named Oriam, scheduled to open in autumn 2016.

The Council is also improving the sporting infrastructure by building new schools with some fantastic facilities. The new Portobello High School which opens this month includes a swimming pool as well as sports pitches. Stage 2 of the new James Gillespie's High School, which is due to open in August 2016, comprises a sports block and performance arts centre. The new

Boroughmuir High School in Fountainbridge is scheduled to open in October 2016. Pupils will have more sports facilities in their new school, including a roof-top games area.

Pledge 43 **Invest in healthy living and fitness advice for those in most need**

In its February 2012 budget, the Council provided Edinburgh Leisure (EL) with additional funding for financial years 2012/13 to 2014/15 which supported Edinburgh Leisure's existing activities but also funded five specific projects for those most in need. Edinburgh Leisure has evaluated the outcomes to date of all five projects and an update on the work of these five projects is given below.

1. Active Lives – Physical activity project to encourage adults (45+) living in identified Scottish Index of Multiple Deprivation areas to participate in physical activity.

Edinburgh Leisure (EL) secured £70k additional funding, from the Legacy 2014 Physical Activities Fund, through Spirit 2012 and the Scottish Government, enabling delivery for an additional eight months to September 2016. Active Lives now focuses delivery on two new Community Physical Activity Hubs around Edinburgh Leisure venues (Gracemount Leisure Centre and Ainslie Park Leisure Centre). EL's Active Lives Manager has been working alongside EL's Head of Funding and Evaluation (HFE) to build a strong relationship with Spirit 2012 and discuss potential sources for future funding.

2. High Flyers – Multi sports programme targeting children and young people with disabilities

High Flyers was a sports and physical activity project specifically for children and young people with additional support needs. The aim of the project was to provide opportunities for children and young people to get active, stay active and achieve more. Funding from the City of Edinburgh Council was expended in December 2015 and work has been ongoing to sustain High Flyers' programmes. Edinburgh Leisure is recruiting a temporary Disability Sport Development Officer to continue the work of sustaining existing disability sport activities, improvements to mainstream coaching programmes and developing new initiatives, coaches and partnerships.

3. Jump In – Nursery and disability swim programme

Jump In provided a programme of swim lessons for children attending nurseries that are in areas identified as high on the Scottish Index of Multiple Deprivations (SIMD). The Jump In project took place in several EL venues, including Leith Victoria Swim Centre, Royal Commonwealth Pool, Ainslie Park Leisure Centre, and Gracemount Leisure Centre. Jump In provided eight fully funded lessons for each participant. Thereafter, children could access EL's Learn to Swim programme within a concessionary pricing structure for two subsequent terms. Funding for this project from the Council was expended in October 2015. EL is currently looking to secure funding to continue the initiative, and a recent fundraising event by EL staff raised circa £6k which will allow an element of the programme to be continued at Leith Victoria Swim Centre.

4.Looked After & Active – Physical Activity programme for Looked After and Accommodated children & young people

Looked After and Active will continue to January 2017 using project underspends created by a period of staff vacancy. Work continues with all key partners to try to secure investment for this valued service for Looked After & Accommodated children, young people and families/carers. The Looked After and Active Development Officer has been working with EL's Funding team to apply for funding (eg Big Lottery) and is looking at adapting the current model of delivery to best meet the needs of the targeted community.

5. Positive Destinations – Development programme for young people (not in employment, education or training) to improve self-awareness, confidence and ultimately life choices.

Positive Destinations will continue to January 2017 utilising project underspends. Plans are in place to deliver three personal development projects engaging 60 young people from 1 April – 31 December 2016. Positive Destinations has been successful in securing £3,000 funding from a local trust to set up and support the delivery of the leadership academy at Castlebrae High School. The Positive Destinations Development Officer has been working with EL's funding team to apply for grants and suitable funding since August 2015 and will continue to develop sustainability papers and future funding applications.

Maintain and enhance the quality of life in Edinburgh

44 Prioritise keeping our streets clean and attractive
45 Spend 5% of the transport budget on provision for cyclists
46 Consult with a view to extending the current 20mph traffic zones
47 Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs
48 Use Green Flag and other strategies to preserve our green spaces
49 Continue to increase recycling levels across the City and reducing the proportion of waste going to landfill
50 Meet greenhouse gas targets, including the national target of 42% by 2020
51 Investigate the possible introduction of low emission zones
52 Oppose industrial biomass incineration in Edinburgh
53 Encourage the development of Community Energy Co-operatives

Pledge 44 — Prioritise keeping our streets clean and attractive

This pledge encompasses operations and strategic plans to manage the cleanliness of our streets and efforts that focus on enhancing the city's public realm.

Work on the Council's litter action plan has continued since winter 2015. Research on litter projects and strategies throughout the UK fed into a draft document, which was presented to frontline street cleaning, Community Safety and Environment staff in December 2015. Feedback from this session has been incorporated into the updated action plan and draft of the document has been sent to Zero Waste Scotland for input. It is planned that this will be completed by June 2016 as scheduled and will set the context for future campaigns and operational changes.

The Council is currently developing a campaign to encourage behaviour change in relation to dropping litter, fly-tipping, dog fouling and other environmental anti social behaviour. The focus of this campaign will be on promoting pride in our city. It is expected the campaign will be launched this summer.

The Council has joined forces with Keep Scotland Beautiful and Hubbub and, with residents and businesses in the Grassmarket, will trial new approaches to tackling litter and increasing civic pride through a project called Neat Streets this summer. The first event took place in March, whereby residents and businesses were given the opportunity to highlight the litter issues they are aware of in the area and comment on initial ideas on the types of interventions that could be used. The outcomes of this project will help the Council identify the best techniques to utilise in its city-wide campaign.

A new combined Waste and Cleansing service has been created to allow improved use of resources to tackle all issues that affect the appearance of our city. The reorganisation of this service is in progress, with the final structure aiming to be in place by mid-August.

Pledge 45 — Spend 5% of the transport budget on provision for cyclists

A spending target of 8% of the transport budget was set for the capital and revenue cycling budgets for the 2015 - 2016 financial year and these have been met.
Capital Projects for 2015 - 2016: the 8% capital expenditure target is equivalent to £1,524,000. There is estimated to be £460,000 expenditure on capital maintenance that benefits cycling, which leaves £1,064,000 of new expenditure on:

- The completion of work upgrading the A90 cycle route.
- The completion of the Roslin – Gilmerton 'family-friendly' cycle route.
- Further improvements to the Leith – Portobello cycle route.
- Route signage of the North Edinburgh 'QuietRoute' network of cycle routes.
- Design work on two major cycle schemes (Roseburn – Leith Walk and Roseburn – Union Canal) and several medium sized schemes.

Revenue Projects for 2015 - 2016: 8% revenue expenditure is equivalent to £637,913. This has helped to deliver:

- Improved maintenance of cycle facilities including off-road cycle paths (such as through removal of vegetation encroachment) and relining of on-road cycle facilities.
- Promotional activities to support cycling including a £130,000 contribution to the Council's Smarter Choices, Smarter Places project.

A report on "*8% Budget Commitment to Cycling - Summary of Expenditure*" will be considered by the Transport and Environment Committee, at its meeting on 3 August 2016. It will cover the spending used to support cycling during the 2015 – 2016 financial year.

Spending targets. A report, entitled *"9% Budget Commitment to Cycling"* was agreed by the Transport and Environment Committee at its meeting on 15 March 2016.

This report includes a programme to meet the 9% spending commitment on cycling in the 2016 - 2017 financial year. This includes targets of £1,530,450 for capital expenditure and £198,899 for revenue expenditure. Taking in to account estimates of existing maintenance expenditure that benefits cyclists, this will result in £1,066,000 being allocated towards new capital projects and no funding for cycling revenue projects. The Council Business Plan 2016 – 2020 will contribute to pledge 45, through cycling related actions to improve the quality of life, ensure economic vitality and build excellent places.

Pledge 46 ✔	Consult with a view to extending the current 20mph traffic zones

Within the context of its priority to Build Excellent Places, the Council intends a transport system that improves connectivity and is green, healthy and accessible to use. The roll out of 20mph zones across Edinburgh is a key objective within this priority.

Following the advertising of the city wide Traffic Regulation Order for the implementation of the 20mph zones, of the 84 responses received, 54 were deemed as objections. Transport and Environment Committee considered these at its meeting of 12 January 2016 and agreed to set them aside, paving the way for the citywide roll out of the scheme.

The scheme has three key elements, all of which progressed in the period November 2015 to April 2016:

- Design and Construction: Completion of design for Zone 1 (City Centre and Rural West Edinburgh) and commencement of contractor procurement;
- Monitoring: Procurement and award of contract for traffic speed and volume survey (before/after) and household perception surveys (before/after); journey times research; and
- Awareness/Behaviour Change: Communications programme, and school mascot competition .

The scheme is funded partly by external funders, including The Scottish Government and Sustrans, and successful relations have been maintained during the period leading to further funding applications for the coming year.

Future targets in the coming period include the implementation of Zone 1, City Centre and Rural West; completion of design and procurement for Zones 2, North and 3 South Central / East; commencement of design for Zones 4, North West and 5, West; the hosting of a Scottish Conference on 20mph implementation in June 2016; and the official launch of Edinburgh's 20mph scheme later in the summer. Completion of the overall roll out is scheduled for February 2018.

Pledge 47 ✔	Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs

The Transport Forum is now fully set up and functioning. Pledge 47 has been achieved. Transport Forum sub – groups have been established, to consider Active Travel, Walking and Cycling.

The workshops held during the Transport Forum meetings have provided valuable information on transport policy issues.

The programme of meetings continues. The most recent meeting of the Transport Forum took place on 13 January 2016 and involved a discussion on Passenger Rail Transport in and around Edinburgh. This meeting involved a workshop for comments to be fed back on the Scotland Route Study Consultation.

The next meeting of the Transport Forum, on the subject of Updates on Transport within Edinburgh, will take place on 11 May 2016. The Transport forum is attended by a number of stakeholders, organisations and members of the public, which enables us to be 'Focused on Customers' as per the Council Business Plan (2016-2020).

Please see: http://www.edinburgh.gov.uk/info/20016/roads_travel_and_parking/658/transport_forums

The Council Business Plan 2016 – 2020 will contribute to pledge 47, by involving citizens in considering the changes to transport needed to improve the quality of life, ensure economic vitality and build excellent places.

Pledge 48 — Use Green Flag and other strategies to preserve our green spaces

Green Flag Awards and Park Quality Assessments both ensure that standards are kept high and that there is a process for continually driving improvement across all Edinburgh's public parks and major green spaces. Edinburgh's Green Flag Award parks are assessed by external judges carrying out full and mystery shop site assessments as well as a bi-annual peer review that assesses the authority's strategies, policies and management in relation to parks to ensure it has the ability to maintain the award winning parks to the required standard.

Park Quality Assessments are carried out by internal Green Flag award judges along with the valued help of colleagues and members of the community to assess and monitor the quality of all Council managed parks on an annual basis.

The percentage of parks meeting the Edinburgh minimum standard (an agreed minimum score for each park classification) is used as a performance measure with targets set annually. Edinburgh submitted its current 29 Green Flag Award parks plus one new park (Seven Acre Park) for the2016 awards, the results of which will be announced late July.

Following the 2015 park quality assessments reported to Transport and Environment Committee on 12 January 2016, managers have used the results to identify issues and potential problems in their parks along with taking onboard the judge's recommendations and putting in place an action plan where required. Managers have also been analysing the citywide and area results to identify strengths and weakness and recommend areas where good practice can be shared or to identify citywide or area wide improvements and ultimately contribute towards strategic thinking.

Recently, park officers have provided a list of park improvements that have been implemented as a result of the last assessment, including an update on the three recommendations proposed by the judges. Feedback regarding recent activities and responses to comments made in the last assessments has also been sought from both the park officer and friends groups. All this information is made available to this year's judges to enable them to complete a full and accurate assessment.

The 2016 park assessments started in April and should be completed by mid-July, with any urgent problems reported to park officers for immediate action. Full site results are generated and made available to both park officers and Friends Groups for comment and to see the judge's recommendations as soon as possible after the assessment has been completed. In addition to this, judges will also be acting as an early warning system for the impending Green Flag award full and mystery shop assessments by casting an eye over award winning parks and highlighting problems and potential issues to park officers before formal assessments take place.

In August, data and performance figures will be published along with the final site results to allow managers to plan for the year ahead. A committee report including a summary of the park quality assessment results along with the results of the Green Flag awards will be available in the autumn.

Pledge 49 — Continue to increase recycling levels across the City and reducing the proportion of waste going to landfill

Where do we want to get to:

- 50% of waste recycled in 2015/16, 118,000 tonnes of waste landfilled in 2015/16
- 75% of waste recycled by 2020.

What we have achieved in 2015/16:

- 42% of waste recycled, an improvement of 2.9% compared to 2014/5,
- 114,543 tonnes of waste landfilled, an achievement of the 118,00 target and a decrease of 10% on 2014/15,
- Completed the introduction of a new kerbside recycling service to some 140,000 properties, with recycling rates for the kerbside service increasing by 29%,
- Large increases in food waste recycling, with tonnages collected increasing by 51%,
- Undertaken focused and targeted communications to residents on kerbside recycling,
- Improved on-street recycling facilities, 940 new dry mixed recycling bins and 617 new glass bins have been installed on Edinburgh's streets.

In 2016/17, we plan to:

- Continue to increase on-street recycling provision and improve the 'grouping' of recycling and landfill bins near tenements,
- Launch an online interactive map to help citizens locate communal recycling and landfill bins near their homes,
- Launch new interactive web forms for residents to report issues with refuse services,
- Increase resident participation in our recycling services and achieve a recycling rate of 44.4%,
- Utilise a new anaerobic digestion facility at Millerhill, Midlothian to process our food waste,
- Cease collections of trade waste for commercial customers, focusing resources on domestic customers.

Even with comprehensive recycling services, there will always be some waste left for disposal. The Zero Waste Project will deliver modern waste treatment facilities for residual waste (general waste bins) for Edinburgh and Midlothian.
The Zero Waste Project has selected the preferred bidder for the residual waste treatment contract and a fully operational facility will be available from January 2018.

Pledge 50 **Meet greenhouse gas targets, including the national target of 42% by 2020**

Meeting greenhouse gas targets, including the national target of 42% by 2020, would contribute to the Council's duties under part 4 of the Climate Change (Scotland) Act 2009; as well as Edinburgh being a sustainable Capital City.

The Sustainable Energy Action Plan (SEAP) is the city's plan to reduce carbon emissions and is led by the Council. Since the last update, a further audit of projects was carried out with stakeholders across the city. This means that the SEAP can account for 83% of the required carbon savings required to meet the target. On current projections, by 2020 Edinburgh will have reduced its greenhouse gas emissions, measured in CO2 equivalent by 34%. In addressing this shortfall the SEAP is continually seeking to develop new projects with partners and maximise the impact of projects. The first annual update on progress was approved by Corporate Policy and Strategy Committee on 12 April, 2016.

Key highlights from the SEAP over the last 6 months are that:

- Approval has been granted to establish the Council's ESCo (March 2016). The next stages of this are to recruit directors to the board, have the board approve the business plan and progress delivery of the shareholders agreement;
- Partnership working is progressing, including a successful event in December 2015 with the largest employers in the city who contribute 17% of emissions;
- Progress continues with the energy retrofit RE:FIT project and the development of business cases for 9 of the Council's largest buildings;
- Energy replacement programmes underway within Housing including a feasibility study into district heating in the multi storey blocks;
- The development of business cases for district heating for Fountainbridge and the Bioquarter;
- The expansion of electric vehicle charging points across the city from 8 in 2012 to 110 in February, 2016;
- Engagement with private sector developers on decentralised energy;
- A feasibility study for solar farms and solar canopies on park and ride sites completed and moving to the next phase;
- Successful funding application for a full Business Case for the use of Ground Source Heat Pumps in Saughton Park;
- Successful feasibility funding for the a major study into Ultra Low Emission Vehicle (ULEV) taxis and charging infrastructure;
- Lothian Buses surpassing its 2015 target on cleaner engines and as of January 2016, 67% of the bus fleet was operating at Euro 5 or higher; and
- A key cross cutting theme and specific workstream of the City Deal is focused on low carbon. The Council is developing a Low Carbon Jobs and Investment Framework to drive delivery of low carbon projects whilst maximising the impact economically for Edinburgh.

Active Travel Action Plan (ATAP)

The Plan will contribute to reducing the 25% of Edinburgh's greenhouse gas emissions that arise from transport in the city. The ATAP actions have been reviewed and prioritised for the next two years and up to 2020. A report on "*Active Travel Action Plan Review 2016*" was submitted to the Transport and Environment Committee on 12 January 2016.

Public and Accessible Transport Action Plan (PATAP)

Increasing the attractiveness of bus services as an alternative to private car use will contribute to meeting greenhouse gas targets. PATAP is mentioned as part of Pledge 19.

The ECOSTARS Edinburgh scheme continued during 2015/16, funded by a combination of identified service budget and Scottish Government Air Quality Action Plan support grant. The Edinburgh scheme now has 110 members.

Smarter Choices, Smarter Places programme. Scottish Government has confirmed, on 1 April 2016, that funding will be available for continuing the Smarter Places, Smarter Choices programme during 2016 – 2017. A bid has been submitted to Paths for All for funding for four proposed work packages: route marketing; walking promotion; cycling research and development and also 20mph traffic zones.

The timescale for future actions is:

- April 2016: Outcome of Smarter Choices, Smarter Places bid will be clarified.
- May 2016: Monitoring of progress with ATAP. Completion of installation of automatic pedestrian censors outside the city centre, nine have been installed on street lighting columns, and three will be mounted on traffic signals.
- May 2016: Completion of 2015 – 2016 Smarter Choices, Smarter Places activities.

The Council Business Plan 2016 – 2020 will contribute to pledge 50, through transport actions to improve the quality of life, ensure economic vitality and build excellent places.

Pledge 51 — Investigate the possible introduction of low emission zones

Cleaner Air for Scotland

The finalised low emission strategy for Scotland is 'Cleaner Air for Scotland – The Road to a Healthier Future'. This national strategy was launched, in Edinburgh, by Scottish Ministers on 4 November 2015.

The Scottish Government is to establish a Cleaner Air for Scotland Governance Group, tasked with overseeing the implementation of this strategy. The Scottish Government Air Quality Policy Manager will contact all local authority Chief Executives, requesting one permanent officer to attend all the Governance Group's meetings, with other professions nominated to attend quarterly meetings. The other professions will be Heads of Planning and members of the Society of Chief Officers of Transportation in Scotland (SCOTS). The aim is to ensure that planning and transport activities are adequately represented and engaged in delivery of air quality improvements.

As part of this strategy, the Scottish Government will be developing a National Low Emission Framework, designed to enable local authorities to appraise, justify the business case for and implement a range of air quality options related to transport. One of the possible options that could be introduced is a Low Emission Zone. This type of measure would involve setting minimum emission standards for access to a defined area; either charging vehicles to enter an area or excluding those that do not meet a defined standard for emissions.

It is anticipated that the National Low Emission Framework will be drafted by December 2016. The following stages are:

- Stage 1, the appraisal stage will be undertaken during 2016 – 2017,
- Stage 2, the detailed appraisal will be undertaken during 2017 – 2018,
- Implementation of measures will take place during 2018 – 2019.

Planning authorities will be required to review their Local Development Plans and revise them at the next scheduled update, to ensure policies are consistent with Cleaner Air For Scotland.

Local Transport Strategy 2014 – 2019

In the interim, to continue the process of reducing air pollutants generated by road traffic, the Council will continue with the Protecting our Environment policies within its Local Transport Strategy 2014 – 2019.

Air Quality Action Plan

Implementation of the Council's Air Quality Action Plan, updated in 2015, will reduce emissions of air pollutants.

The Council Business Plan 2016 – 2020 will contribute to pledge 51, through transport actions to improve the quality of life, ensure economic vitality and build excellent places.

Pledge 52 — Oppose industrial biomass incineration in Edinburgh

The Council continues to use the interim guidance as a material consideration when deciding relevant planning applications.

'Cleaner Air for Scotland' (formerly the Low Emissions Strategy') was published by the Scottish Government in November 2015.

In April 2016, the Scottish Government tightened the $PM_{2.5}$ standard from 12µg/m^3 to 10µg/m^3 in keeping with the W.H.O guidelines. It is now a requirement for Scottish local authorities to measure this particle fraction and work towards attainment. The Scottish Government will establish a network of $PM_{2.5}$ across Scotland over the next few years. It is likely that urban areas will be borderline with respect to compliance.

Interim modelled data based on the Pollution Climate Mapping model show that roadside concentrations in Edinburgh range from 9 to 12 µg/m^3

The Scottish Government report on the Measurement and Modelling of Fine Particulate Emissions from Wood – Burning Boilers illustrated that a large percentage of particle emissions were composed of the $PM_{2.5}$ fraction when flue gases were measured and that large scale uptake would make it difficult to achieve the UK's exposure reduction target.

Pledge 53 Encourage the development of Community Energy Co-operatives

The 'Edinburgh Community Energy Hub' was established in 2013 as a sub group of the Edinburgh Sustainable Development Partnership. The Hub has not met in 2016 and options are currently being explored with a view to changing the format and focus of future meetings.

Progress of Energy Generation Cooperatives in Edinburgh

The Edinburgh Solar Cooperative was registered on 30th December 2013 and in August 2015 the council appointed three Directors. A community share offer was launched on 29 September 2015 and was successful in raising an above target £1.5m to install solar panels on up to 25 publicly owned buildings in the city. The energy generated by the panels will be used by the relevant council or Edinburgh Leisure service, with profits generated to be used for wider community benefit and to help make Edinburgh a greener city. Work is currently (March 2016) ongoing to finalise onsite survey prior to installation works by the Cooperative's local management contractor 'Changeworks'.

Harlaw Hydro is a Balerno community initiative which pre-dates Pledge 53. Work commenced on Monday 8th September 2014 following the successful conclusion of negotiations with Council engineers regarding the lease for the Harlaw site from the Council. Harlaw Hydro was officially opened by Fergus Ewing, Minister for Business, Energy and Tourism on 1 September 2015 and following the completion of on-site works, power generation is now taking place. Most recently, however, this has been subject to available water conditions. In November the company reported generating around 1800 kWhs per day representing a ten-fold increase compared with the previous period.

In November 2015, Harlaw Hydro Ltd was shortlisted as a finalist in the "Best Community Project" category at The Scottish Green Energy Awards 2015.

Appendix 1:Lead politicians for each of the pledges

Lead Politician	Pledges
 Paul Godzik Convener of Education, Children and Families Committee Scottish Labour Party	1 Increase support for vulnerable children, including help for families so that fewer go into care 2 Hold the maximum P1 class size at 25 and seek to reduce class sizes in line with Scottish Government recommendations 3 Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools 4 Draw up a long-term strategic plan to tackle both over-crowding and under use in schools 5 Seek to ensure the smooth introduction of the Curriculum for Excellence and that management structures within our schools support the new curriculum 6 Establish city-wide childcare co-operatives for affordable childcare for working parents
 Gavin Barrie Convener of Economy Committee Scottish National Party	7 Further develop the Edinburgh Guarantee to improve work prospects for school leavers 15 Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors 16 Examine ways to source new funding to support small businesses 17 Continue efforts to develop the City's gap sites and encourage regeneration 20 Work with the Scottish Government to deliver a larger return of business rate receipts as part of the Business Rates Incentivisation Scheme (BRIS) 21 Consult further on the viability and legality of a transient visitor levy 22 Set up an independent forum to promote locally-owned retail businesses 23 Identify unused council premises to offer on short low-cost lets to small businesses, community groups and other interested parties 28 Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the City 29 Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work
 Maureen Child Convener of Communities and Neighbourhoods Committee Scottish Labour Party	33 Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used 36 Develop improved partnership working across the Capital and with the voluntary sector to build on the “Total Craigroyston” model

Lead Politician	**Pledges**
 Ian Perry Convener of Planning Committee Scottish Labour Party	40 Work with Edinburgh World Heritage Trust and other stakeholders to conserve the City’s built heritage
 Lesley Hinds Convener of Transport and Environment Committee Scottish Labour Party	18 Complete the tram project in accordance with current plans 19 Keep Lothian Buses in public hands and encourage the improvement of routes and times 44 Prioritise keeping our streets clean and attractive 45 Spend 5% of the transport budget on provision for cyclists 46 Consult with a view to extending the current 20mph traffic zones 47 Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs 48 Use Green Flag and other strategies to preserve our green spaces 49 Continue to increase recycling levels across the city and reduce the proportion of waste going to landfill 50 Meet greenhouse gas targets, including the national target of 42% by 2020 51 Investigate the possible introduction of low emission zones 52 Oppose industrial biomass incineration in Edinburgh 53 Encourage the development of Community Energy Cooperatives
 Cammy Day Vice-Convener of Health, Social Care and Housing Committee Scottish Labour Party	8 Make sure the City’s people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites 9 Work in partnership with Scottish Government to release more funds for Council homes for rent 10 Set up a task force to investigate ways to bring empty homes into use 11 Encourage the development of cooperative housing arrangements 13 Enforce tenancy agreements (council and private landlord) with a view to ensuring tenants and landlords fulfill their good conduct responsibilities 14 Strengthen Council housing allocation policy to give recognition to good tenants and to encourage responsible tenant behaviour and responsibilities 32 Develop and strengthen local community links with the police 34 Work with police on an anti-social behaviour unit to target persistent offenders

Lead Politician	Pledges
 Alasdair Rankin Convener of Finance and Resources Committee Scottish National Party	25 Introduce a "living wage" (currently set at £7.20) for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development 26 Establish a policy of no compulsory redundancies 27 Seek to work in full partnership with Council staff and their representatives 30 Continue to maintain a sound financial position including long-term financial planning 41 Take firm action to resolve issues surrounding the Council's property service
 Richard Lewis Convener of Culture and Sport Committee Scottish National Party	24 Maintain and enhance support for our world-famous festivals and events 31 Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure 35 Continue to develop the diversity of services provided by our libraries 42 Continue to support and invest in our sporting infrastructure 43 Invest in healthy living and fitness advice for those most in need
 Ricky Henderson Convener of Health, Social Care and Housing Committee Scottish Labour Party	12 Work with health, police and third sector agencies to expand existing and effective drug and alcohol treatment programmes 37 Examine ways to bring the Council, care home staff and users together into co-operatives to provide the means to make life better for care home users 38 Promote direct payments in health and social care 39 Establish a Care Champion to represent carers

Appendix 2: Linkages with the Council Business Plan

Pledge No.	Pledge Description	Business Plan Priority 1	Business Plan Priority Area 1	Business Plan Priority 2	Business Plan Priority Area 2	Business Plan Priority 3	Business Plan Priority Area 3
Pledge 1	Increase support for vulnerable children, including help for families so that fewer go into care	Quality of Life	Children and young people fulfil their potential	Quality of life	A caring, healthier Edinburgh		
Pledge 2	Hold the maximum P1 class size at 25 and seek to reduce class sizes in line with Scottish Government recommendations	Quality of Life	Children and young people fulfil their potential				
Pledge 3	Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools	Quality of life	Children and young people fulfil their potential	Excellent places	A built and natural environment to match our ambition	Quality of life	Safer and stronger communities
Pledge 4	Draw up a long-term strategic plan to tackle both over-crowding and under use in schools	Quality of life	Children and young people fulfil their potential	Excellent places	A built and natural environment to match our ambition		
Pledge 5	Seek to ensure the smooth introduction of the Curriculum for Excellence and that management structures within our schools support the new curriculum	Quality of Life	Children and young people fulfil their potential				
Pledge 6	Establish city-wide childcare co-operatives for affordable childcare for working parents	Quality of Life	A caring, healthier Edinburgh	Economic Vitality	Access to work and learning		
Pledge 7	Further develop the Edinburgh Guarantee to improve work prospects for school leavers	Economic Vitality	Access to work and learning	Quality of Life	Children and young people fulfil their potential		
Pledge 8	Make sure the City's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites	Excellent places	A range of quality housing options				
Pledge 9	Work in partnership with the Scottish Government to release more funds for Council homes for rent	Excellent places	A range of quality housing options	Excellent Places	A built and natural environment to match our ambition		
Pledge 10	Set up a task force to investigate ways to bring empty homes into use	Excellent places	A range of quality housing options	Excellent Places	A built and natural environment to match our ambition		
Pledge 11	Encourage the development of cooperative housing arrangements	Excellent places	A range of quality housing options	Excellent Places	A built and natural environment to match our ambition		
Pledge 12	Work with health, police and third sector agencies to expand existing and effective drug and alcohol treatment programmes	Quality of Life	A caring, healthier Edinburgh	Lean and Agile	Integrated Council	Lean and Agile	Empowered Communities
Pledge 13	Enforce tenancy agreements (Council and private landlord) with a view to ensuring tenants and landlords fulfil their good conduct responsibilities	Excellent Places	A range of quality housing options	Quality of Life	Safer and stronger communities		
Pledge 14	Strengthen Council housing allocation policy to give recognition to good tenants and to encourage responsible tenant behaviour and responsibilities	Excellent places	A range of quality housing options	Quality of life	Safer and stronger communities		
Pledge 15	Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors	Economic vitality	Business growth and investment	Economic Vitality	A vibrant and sustainable local economy		
Pledge 16	Examine ways to source new funding to support small businesses	Economic vitality	Business growth and investment				
Pledge 17	Continue efforts to develop the City's gap sites and encourage regeneration	Economic vitality	Business growth and investment	Economic Vitality	A vibrant and sustainable local economy	Excellent places	A built and natural environment to match our ambition
Pledge 18	Complete the tram project in accordance with current plans	Excellent places	A built and natural environment to match our ambition	Excellent Places	An accessible, connected city		

Pledge No.	Pledge Description	Business Plan Priority 1	Business Plan Priority Area 1	Business Plan Priority 2	Business Plan Priority Area 2	Business Plan Priority 3	Business Plan Priority Area 3
Pledge 19	Keep Lothian Buses in public hands and encourage the improvement of routes and times	Excellent places	An accessible, connected city				
Pledge 20	Work with the Scottish Government to deliver a larger return of business rate receipts as part of the business rate incentivisation scheme	Economic vitality	Business growth and investment	Economic Vitality	A vibrant and sustainable local economy		
Pledge 21	Consult further on the viability and legality of a transient visitor levy	Economic vitality	A creative, cultural capital	Economic Vitality	A vibrant and sustainable local economy	Economic vitality	Business growth and investment
Pledge 22	Set up an independent forum to promote locally-owned retail businesses	Economic vitality	A vibrant and sustainable local economy	Economic Vitality	Business growth and investment		
Pledge 23	Identify unused Council premises to offer on short low-cost lets to small businesses, community groups and other interested parties	Economic vitality	A vibrant and sustainable local economy	Economic Vitality	Business growth and investment	Quality of life	Safer and stronger communities
Pledge 24	Maintain and enhance support for our world-famous festivals and events	Economic vitality	A creative, cultural capital	Excellent Places	An attractive city	Economic vitality	A vibrant and sustainable local economy
Pledge 25	Introduce a "living wage" (currently set at £7.20) for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development	Economic Vitality	A vibrant and sustainable local economy	Lean and Agile	High Performing Workforce	Lean and Agile	Integrated Council
Pledge 26	Establish a policy of no compulsory redundancies	Lean and Agile	High Performing Workforce				
Pledge 27	Seek to work in full partnership with Council staff and their representatives	Lean and Agile	High Performing Workforce	Lean and Agile	Integrated Council		
Pledge 28	Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the City	Economic vitality	Business growth and investment	Economic Vitality	A vibrant and sustainable local economy		
Pledge 29	Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work	Economic Vitality	Access to work and learning	Quality of Life	Children and young people fulfil their potential	Lean and Agile	High performing Workforce
Pledge 30	Continue to maintain a sound financial position including long term financial planning	Lean and Agile	Value for money				
Pledge 31	Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure	Economic vitality	A creative, cultural capital	Excellent Places	An attractive city		
Pledge 32	Develop and strengthen local community links with the police	Quality of Life	Safer and stronger communities	Lean and Agile	Integrated Council	Lean and Agile	Empowered Communities
Pledge 33	Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used	Quality of Life	Safer and stronger communities	Lean and Agile	Integrated Council	Lean and Agile	Empowered Communities
Pledge 34	Work with police on an anti-social behaviour unit to target persistent offenders	Quality of Life	Safer and stronger communities	Lean and Agile	Integrated Council	Lean and Agile	Empowered Communities
Pledge 35	Continue to develop the diversity of services provided by our libraries	Quality of Life	Safer and stronger communities	Economic Vitality	Access to work and learning	Lean and Agile	Empowered Communities
Pledge 36	Develop improved partnership working across the capital and with the voluntary sector to build on the "Total Craigroyston" model	Quality of Life	Safer and stronger communities	Lean and Agile	Empowered communities	Lean and Agile	Empowered Communities
Pledge 37	Examine ways to bring the Council, care home staff and users together into co-operatives to provide the means to make life better for care home users and care providers	Quality of Life	A caring, healthier Edinburgh	Lean and Agile	Integrated Council		
Pledge 38	Promote direct payments in health and social care	Quality of Life	A caring, healthier Edinburgh	Lean and Agile	Value for money	Lean and Agile	Empowered communities
Pledge 39	Establish a care champion to represent carers	Quality of Life	A caring, healthier Edinburgh				
Pledge 40	Work with Edinburgh World Heritage Trust and other stakeholders to conserve the City's built heritage	Excellent places	A built and natural environment to match our ambition				
Pledge 41	Take firm action to resolve issues surrounding the Council's property services	Lean and Agile	Value for money	Lean and Agile	Focused on customers		
Pledge 42	Continue to support and invest in our sporting infrastructure	Quality of Life	Opportunities for participation in sport and lifelong learning	Lean and Agile	Value for money		

Pledge No.	Pledge Description	Business Plan Priority 1	Business Plan Priority Area 1	Business Plan Priority 2	Business Plan Priority Area 2	Business Plan Priority 3	Business Plan Priority Area 3
Pledge 43	Invest in healthy living and fitness advice for those in most need	Quality of Life	Opportunities for participation in sport and lifelong learning	Quality of life	A caring, healthier Edinburgh		
Pledge 44	Prioritise keeping our streets clean and attractive	Excellent places	An attractive city	Quality of life	A built and natural environment to match our ambition		
Pledge 45	Spend 5% of the transport budget on provision for cyclists	Excellent places	An accessible, connected city	Quality of life	A caring, healthier Edinburgh	Lean and Agile	Value for money
Pledge 46	Consult with a view to extending the current 20mph traffic zones	Excellent places	An accessible, connected city	Excellent Places	A built and natural environment to match our ambition	Quality of life	Safer and stronger communities
Pledge 47	Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs	Excellent places	An accessible, connected city	Excellent Places	A built and natural environment to match our ambition	Lean and Agile	A sustainable Capital city
Pledge 48	Use Green Flag and other strategies to preserve our green spaces	Excellent places	A built and natural environment to match our ambition	Excellent Places	An attractive city	Lean and Agile	A sustainable Capital city
Pledge 49	Continue to increase recycling levels across the City and reducing the proportion of waste going to landfill	Excellent places	An attractive city	Lean and Agile	A sustainable Capital City		
Pledge 50	Meet greenhouse gas targets, including the national target of 42% by 2020	Lean and Agile	A sustainable Capital city	Excellent Places	An attractive city	Quality of life	A caring, healthier Edinburgh
Pledge 51	Investigate the possible introduction of low emission zones	Lean and Agile	A sustainable Capital city				
Pledge 52	Oppose industrial biomass incineration in Edinburgh	Lean and Agile	A sustainable Capital city				
Pledge 53	Encourage the development of Community Energy Co-operatives	Lean and Agile	A sustainable Capital city	Lean and Agile	Empowered communities	Economic vitality	A vibrant and sustainable local economy

Complaints Analysis

Annual Report, 2015/16

Key
PI is below target and tolerances.
PI is below target but within tolerances.
On target.
This PI cannot be calculated.
Data-only PI, no target set.

Annual Report 2015/16 Summary

Introduction

The Council publishes its performance of complaints handling on a quarterly and annual basis to provide assurance, highlight the causes of common complaints and actions, to deliver continuous improvement and to assist in benchmarking between local authorities.

Reporting of complaints is a statutory requirement and is monitored by Audit Scotland in conjunction with the Scottish Public Services Ombudsman (SPSO) and in line with Best Value.

The data in this report outlines the Council's complaints management performance for the year 2015/16 and will be published on the Council's website once agreed by the Corporate Policy and Strategy Committee in June.

It should be noted that due to the systems used for this report, data continues to be reported under the previous Council structure.

Transforming complaints – key milestones 2015/16

The Council Complaints Management Group, led by Strategy & Insight, meets on a regular basis ensuring service leads work together to implement best practice and policy. This year the group has driven forward many improvements to complaints management Council-wide, including:

- **Staff and customer communications** – through managers' briefings and customer-focused information on the Orb and external website.
- **Staff training material** – the e-learning training module has been updated to incorporate the Managing Customer Contact in a Fair and Positive Way policy (to date 2049 staff have successfully passed the training module). The Investigation stage training and advice has been reviewed and updated in line with SPSO guidance. Cyber bullying guidance has been developed to advise staff on how to deal with customer abuse online.
- **Quarterly analysis** of complaints reported and discussed by the Corporate Leadership Team (CLT) – provides a focus on common complaints and service improvements.
- **Managing Customer Contact in a Fair and Positive Way** – an annual review of this policy was presented to Corporate Policy & Strategy Committee in September. The report provided committee with a progress update on the implementation and use of the Council's policy.
- **Improved liaison** and partnership working with the SPSO. This has included visits to and from the SPSO thus gaining a better understanding and knowledge of how each agency operates and the opportunity to share good practice.
- **Quality assurance** – all responses to the SPSO are quality checked by Strategy & Insight before submission. This has improved the quality and accuracy of responses. All recommendations received from the SPSO are recorded and monitored by Strategy & Insight.
- **Scottish Complaints Handlers Network** – attended by Strategy & Insight, this is a quarterly meeting of all Scottish Local Authorities and the SPSO to benchmark complaints management and share best practice.

The year ahead – opportunities and challenges

- **New CRM** - the Council Complaints Management Group are working with the CRM Project team to progress the transition from recording complaints on Capture (and other systems) to the new CRM. Two workshops have already taken place to discuss service requirements for complaints handling and performance reporting.

- **Recording and monitoring complaints** - the implementation of the new CRM for complaints management will provide a more consistent approach to managing and reporting on complaints across the Council.

- **Quality assurance and consistency** – the Council Complaints Management Group (CCMG) are to begin a pilot in May whereby investigation stage complaints will be retrospectively quality checked to ensure all services are following the Council's complaints procedure correctly. Response letters will be checked to ensure the complaint has been fully addressed and the language is customer focused. The CCMG will provide the appropriate Senior Managers with feedback, identifying any training requirements as well as sharing areas of good practice and making recommendations for updating procedures and guidance.

- **Working together** – services across the Council will continue to work together to ensure continuous improvement and that lessons are learnt from complaints. Strategy & Insight will continue to build strong relationships with the SPSO as well as other local authorities through the Scottish Complaints Handler Network.

Indicator 1: Complaints received per 1,000 population

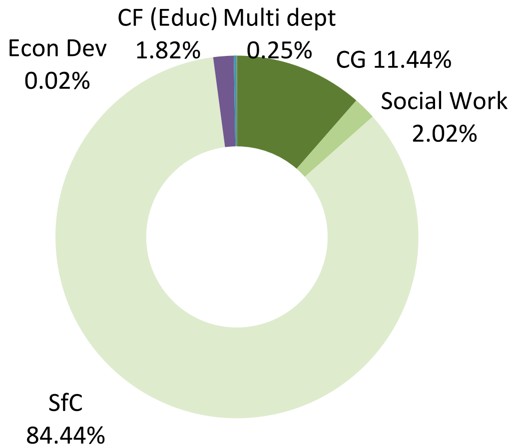
Outline

The Council's definition of a complaint is an expression of dissatisfaction by one or more members of the public about the local authority's action or lack of action, or about the standard of service provided by or on behalf of the local authority. This indicator records the total number of complaints received by the Council.

Indicator 1 Complaints received

Quarter	Total complaints received	Per 1,000 population
Total for year	**20371**	**41**
Q4 2015-16 (Jan-Mar)	7757	15.74
Q3 2015-16 (Oct-Dec)	4117	8.36
Q2 2015-16 (Jul-Sept)	4377	8.9
Q1 2015-16 (Apr-Jun)	4120	8.5

Breakdown of complaints by service area



Indicator Status

No SPSO target available

Analysis and action

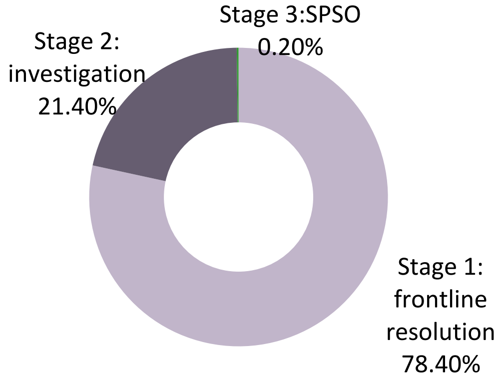
20,371 complaints were received in 2015/16 compared to 15,530 in the previous year.
Over the year, this equates to 41 complaints per 1,000 of the population of Edinburgh.
The increase in the total number of complaints received in Quarter 4 is due to an increase in the number of complaints regarding missed collections of waste and recycling bins in the months of January and February 2016.

Indicator 2: Closed complaints

Outline

A complaint is closed when a response has been given to the customer and no further action is required. Stage 1 is a frontline resolution, where a quick, informed response is possible within five working days. For more complex complaints which require extra time to establish the relevant facts before resolution, or where a customer remains dissatisfied after the response at Stage 1, a Stage 2 investigation is appropriate and should be completed within 20 working days. If a customer is unhappy with the resolution provided, they can take their complaint to the Scottish Public Services Ombudsman - SPSO (Stage 3).

Indicator 2 Closed complaints



Quarter	Stage 1: Frontline resolution	Stage 2: Investigation	Stage 3: Ombudsman (SPSO)
Total for year	**15757/20097 (78.4%)**	**4308/20097 (21.4%)**	**32/20097 (0.2%)**
Q4 2015-16 (Jan-Mar)	6391/7501 (85.2%)	1102/7501 (14.69%)	8/7501 (0.11%)
Q3 2015-16 (Oct-Dec)	4542/5712 (79.52%)	1160/5712 (20.31%)	10/5712 (0.18%)
Q2 2015-16 (Jul-Sep)	2429/3676 (66.08%)	1241/3676 (33.76%)	6/3676 (0.16%)
Q1 2015-16 (Apr-Jun)	2395/3208 (74.65%)	805/3208 (25.10%)	8/3208 (0.25%)

Indicator Status

There is no SPSO target for this but an appropriate internal target would be to close 75% at Stage 1, 24.5% at Stage 2 and 0.5% at Stage 3.

Analysis and action

A total of 20,097 complaints were closed off for the year.

78.4% of complaints were resolved at the frontline.

21.4% of complaints were resolved at the investigation stage.

The majority of stage 1 and stage 2 complaints relate to Waste and the majority of SPSO complaints relate to Property Conservation.

Indicator 3: Complaints upheld, partially upheld and not upheld

Outline

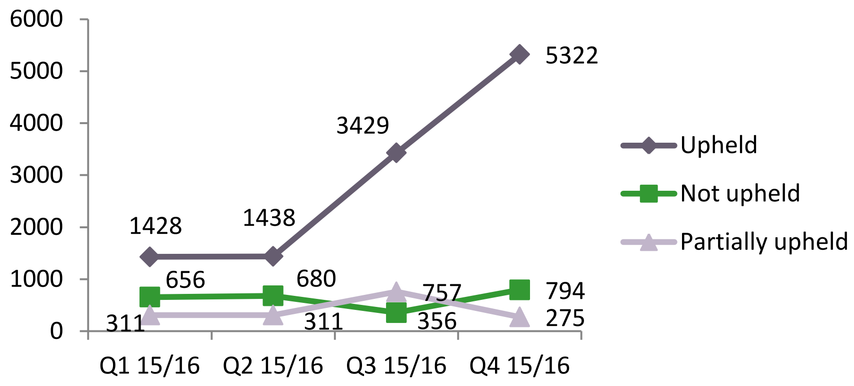
This indicator measures the outcome (upheld, partially upheld or not upheld) recorded for each complaint.

Indicator Status

No SPSO target available

Indicator 3 Complaint outcomes

Stage 1: Frontline resolutions

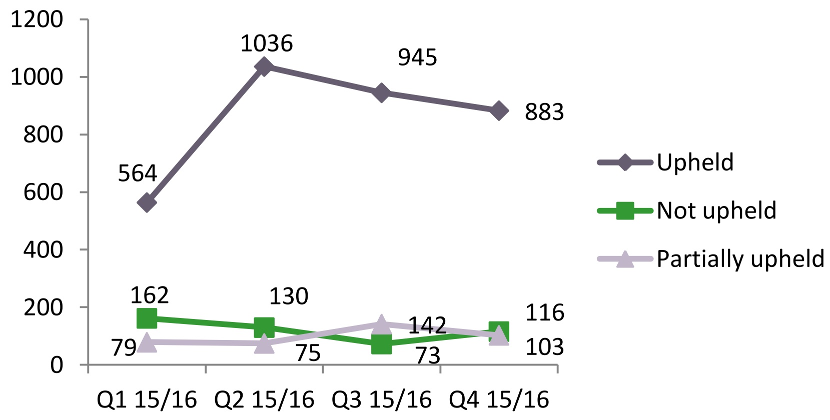


Analysis and actions

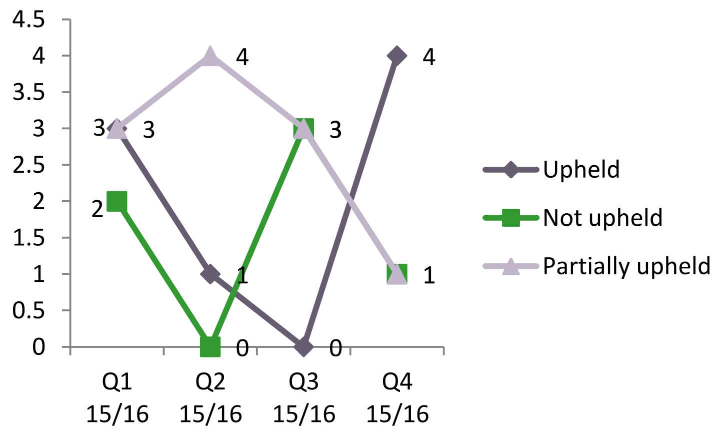
The number of Stage 1 complaints upheld has significantly increased during Jan-Mar 2016. This is reflective of an overall increase in the total number of complaints upheld regarding missed collections of refuse bins but is also reflective of the fact that Waste Services has implemented a new recording system for complaints called Confirm, which better captures customer complaints.

A very small number of complaints are reaching the SPSO. Over the last 12 months, 19 complaints have been upheld/partially upheld and 7 complaints have not been upheld.

Stage 2: Investigation



Stage 3: SPSO (Ombudsman)



Indicator 4: Average times

Outline

This indicator measures the average time in working days to close complaints in each quarter.

Indicator Status

The SPSO states that Stage 1 complaints should be resolved within 5 working days, Stage 2 within 20 working days and Stage 3 within 20 working days.

Indicator 4 Average times to close complaints

Quarter	Stage 1: Frontline resolution	Stage 2: Investigation	Stage 3: Ombudsman
Total for year	**9.9 days**	**21.7 days**	**16.1 days**
Q4 2015-16 (Jan-Mar)	6.9 days	10.8 days	20 days
Q3 2015-16 (Oct-Dec)	15.7 days	29.9 days	15.5 days
Q2 2015-16 (Jul-Sep)	10.5 days	25 days	16.5 days
Q1 2015-16 (Apr-Jun)	6 days	19.5 days	12.5 days

2015/16	Stage 1: Frontline resolution	Stage 2: Investigation	Stage 3: Ombudsman
Social Work	1.8 days	25.8 days	N/A
Education	4.4 days	20.6 days	N/A
Corporate Governance	8.6 days	17.7 days	20 days
Economic Development	7.3 days	16 days	N/A
Services for Communities	10.4 days	21.9 days	20 days
Multi Directorate	16.2 days	15 days	20 days

Analysis and action

The average number of days taken to close complaints over the year as a whole for stages 1 and 2 were outwith the target of 5 days for stage 1 and 20 days for stage 2. This was due to the closure of historic waste-related complaints on Capture in Q3. Figures returned to an acceptable level in Q4.

Indicator 5: Performance against timescales

Outline

This is the number and percentage of complaints at each stage which were closed in full within the set timescales of 5 working days (Stage 1), 20 working days (Stage 2) and 20 working days (Ombudsman).

Indicator Status

The Council aims to maintain a target of at least 85% of complaints closed within recommended timescales.

Indicator 5 Performance against timescales (target 85%)

Quarter	Stage 1: Frontline resolution	Stage 2: Investigation	Stage 3: Ombudsman
Total for year	**68% (10710/15757)**	**74% (3191/4308)**	**81% (26/32)**
Q4 2015-16 (Jan-Mar)	58.7% (3752/6391)	88.2% (972/1102)	88% (7/8)
Q3 2015-16 (Oct-Dec)	65% (2935/4542)	60% (694/1160)	100% (10/10)
Q2 2015-16 (Jul-Sep)	80% (1940/2429)	65% (812/1241)	67% (4/6)
Q1 2015-16 (Apr-Jun)	87% (2083/2395)	89% (713/805)	63% (5/8)

2015/16	Stage 1: Frontline resolution	Stage 2: Investigation	Stage 3: Ombudsman
Social Work	93% (196/212)	66% (112/171)	N/A
Education	75% (238/325)	63% (29/46)	N/A
Corporate Governance	88% (1572/1782)	78% (241/309)	95% (19/20)
Economic Development	67% (2/3)	100% (1/1)	N/A
Services for Communities	65% (8676/13394)	74% (2807/3779)	100% (9/9)
Multi Directorate	59% (24/41)	50% (1/2)	100% (3/3)

Analysis and action

Performance against timescales for Stage 1 and 2 for the year was below target due to the high volume of historic waste related complaints closed off on Capture in Q3.

Indicator 6: Number of cases where an extension is authorised

Outline

An extension to the timescales is authorised by the appropriate manager in exceptional circumstances and in agreement with the customer. This indicator measures the number and percentage of complaints at each stage where an extension to the 5 or 20 working day timeline has been authorised.

Indicator 6 Number of cases where an extension is authorised

Quarter	Stage 1 Frontline resolution 5 working days	Stage 2 Investigation 20 working days
Total for year	**200/15757 (1.3%)**	**142/4308 (3.3%)**
Q4 2015-16 (Jan-Mar)	72/6391 (1.1%)	39/1102 (3.5%)
Q3 2015-16 (Oct-Dec)	37/4542 (0.8%)	41/1160 (3.5%)
Q2 2015-16 (Jul-Sep)	51/2429 (2%)	21/1241 (2%)
Q1 2015-16 (Apr-Jun)	40/2395 (2%)	41/805 (5%)

Indicator Status

While there is no SPSO target, it would be reasonable to set an internal target of extensions authorised in 6% or fewer cases.

Analysis and action

There continues to be only a small number of extensions applied to complaints at Stages 1 and 2.

Indicator 7: Customer satisfaction

Outline

This indicator provides information on the levels of customer satisfaction with the complaints handling services provided.

Indicator Status

No SPSO target available

Indicator 7 SfC complaints customer satisfaction survey results

	% of customers fairly or very satisfied			
	Q1 15/16	**Q2 15/16**	**Q3 15/16**	**Q4 15-16**
Being able to deal directly with someone who could help you	43%	48.6%	54%	49%
Someone took responsibility for your complaint	45%	52.1%	51%	48%
Being given information that was easy to understand	53%	49.3%	60%	52%
Being given all the information you needed	48%	47.9%	51%	47%
Being kept up to date with progress	35%	40.8%	48%	42%
How well the staff did their jobs	44%	47.9%	50%	47%
Being treated fairly	50%	49.3%	54%	48%
The time taken to deal with your complaint from start to finish	40%	42.1%	50%	39%
The final outcome	45%	42.8%	52%	45%

***** Based on 137 respondents (telephone)

Analysis and action

137 customers were surveyed in Q4. The results show that there has been a drop in customer satisfaction, with those agreeing that they were satisfied with the final outcome falling from 52% in Q3, to 45% in Q4.

For those customers that were dissatisfied with how their complaint was handled, there were 3 key reasons behind this:

- They were not kept up to date with progress or informed of the outcome.
- They had difficulty getting Council staff to take responsibility for the problem.
- They experienced poor communication between staff members.
- Despite this, there remained 45% of customers who were satisfied with the final outcome of their complaint.

All customer feedback and any follow on complaints provided during the survey will be passed to the managers responsible for service delivery.

Indicator 7 Customer Sevices complaints customer satisfaction survey results

	% of customers fairly or very satisfied			
	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16
Being able to deal directly with someone who could help you	32%	50%	25%	29%
Someone took responsibility for your complaint	32%	50%	40%	25%
Being given information that was easy to understand	37%	50%	28%	33%
Being given all the information you needed	37%	33%	30%	25%
Being kept up to date with progress	21%	33%	20%	21%
How well the staff did their jobs	26%	50%	35%	17%
Being treated fairly	32%	33%	33%	17%
The time taken to deal with your complaint from start to finish	26%	17%	30%	33%
The final outcome	37%	25%	40%	21%

***** Based on 24 respondents (email)

Analysis and action

146 surveys were emailed to customers who had contacted Customer Services regarding Council Tax, Non Domestic Rates and Benefits.

24 surveys were completed by customers (16% response rate).

- 83% (20) related to Council Tax
- 13% (3) related to Benefits
- 4% (1) related to Non Domestic Rates

Actions:

- Automated phone system – Contact Centre Manager to review the recorded message. The system capability and performance is under regular review.

Actions and improvements made as a result of customer feedback is communicated back to customers.

Indicator 8: Learning from complaints

Outline

We have a clear commitment to listen to our customers and act on their feedback. Learning from complaints is a continuous process that helps us to resolve common complaints and improve the services we provide. This section provides some examples of ways in which complaints have resulted in changes to the way we work over the past year.

Indicator Status

Not applicable

Indicator 8

Council wide – Council Complaints Management Group (CCMG)

- **Complaints e-learning module** – Managers should continue to ensure the relevant staff complete this module which is now part of the mandatory training.
  To date, 2049 members of staff have passed the module:
  - Children and Families 909
  - Corporate Governance 305
  - Economic Development 12
  - Health and Social Care 242
  - SfC 578
  - Elected Members 1
  - Edinburgh Leisure 2

- **Investigation stage training and guidance material** - has been updated in line with the Ombudsman's (SPSO) material and this has been communicated to all staff, ensuring a consistent approach to handling investigation stage complaints across the Council.

- **Scottish Complaints Handlers Network** – attended by Strategy & Insight. Quarterly meetings to discuss complaints management such as learning from complaints, sharing best practice and SPSO updates.

- **Briefings and communications** – to staff by CCMG reps when required or requested, for example, raising awareness of the Managing Customer Contact in a Fair and Positive Way policy – helping staff de-escalate issues before they become more serious.

Corporate Governance

- **Implemented changes to Council Tax bills** and reminder notices to include reference to Sheriff Officer's additional fees and charges.
- **Changes to Contact Centre phone system** to include how to input Council Tax reference number underway.
- **Testing SPSO "Complaint Investigation Plan"** as part of the Customer Services automated complaints procedure.

Social Work (Health and Social Care / Children and Families)

- **Residential Unit (Elderly) – Breakdown in communication:** work will be undertaken to improve relationships and communication across hospital based staff, including nursing and social work, in order to improve the transfer of information.
- **Residential Unit (Elderly) – Breakdown in communication:** admission procedures reviewed to improve communication.
- **Practice Team: Sector Based (North East) – no information provided regarding charge for service:** sector team staff will be reminded to inform service users/representatives of the charge for service prior to service commencing.
- **Health and Social Care – Lack of communication to the public about the reduction in the maximum number of days regarding respite entitlement:** Health and Social Care and Communications team to agree how changes in award should be communicated with the public in the future.

Services for Communities

- **Missed bin collections (all types of bin) -** As of 1 February, the following actions have been put in place to reduce complaint levels across all collection services and provide improved and consistent service standards. Refuse staff are now working in one area undertaking green bin recycling collections, the same crews servicing the grey general waste bins the following week in the same area, on the same streets. This allows crews to improve their knowledge of the area and the consistency of staffing allows a better insight to the needs of the customer in that area to be gained. All staff have been given tool box talks regarding the use of handheld Confirm devices and the importance of the delivery of the collection service. Supervisors have also been briefed regarding the performance of the service and early indicators for service failures. Supervisors are now working in a single area allowing them to build up a more in-depth understanding of the area and customers' needs. They also now retain the same crews, which will assist them in effectively managing the performance of individual staff.
- **Non-delivery of a waste bin (all types) -** The service continues to experience increased demand from households for food waste caddies and, where eligible, larger 240L grey landfill bins. Requests for replacement bins are now managed within Confirm. The new system provides crews with better visibility of the workbank of replacement bins and assists them to focus resources to bring down delivery times.

Top sources of complaints about Council services

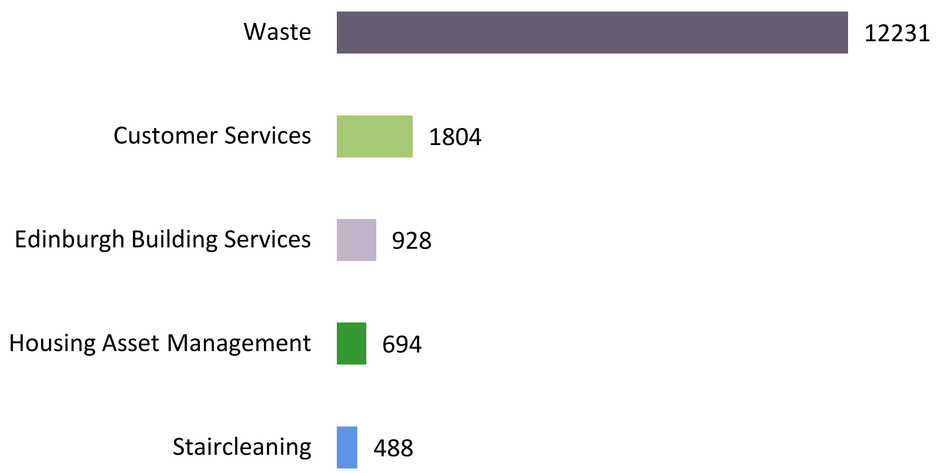
Outline

Below are the top five areas of complaints about Council services for the period 2015/16.

Indicator Status

Not applicable

Top five sources of complaints about Council services



Analysis and action

61% (12231/20097) of all complaints closed off in 2015/16 related to waste. All collection services recorded a reduction in complaints in March, with the exception of the garden waste service, where there was an increase of 405 complaints from the previous month. Staff utilisation within the service due to the ongoing Organisational Review has been assessed, and a decision made to focus experienced, longer term staff, on recycling and general waste routes. As a result, the garden service, in this transitional period, currently has a higher percentage of agency and less experienced operators.

Please refer to Indicator 8 "Learning from Complaints" for further information regarding service improvements put in place for Waste.

SPSO complaints received comparison with whole sector

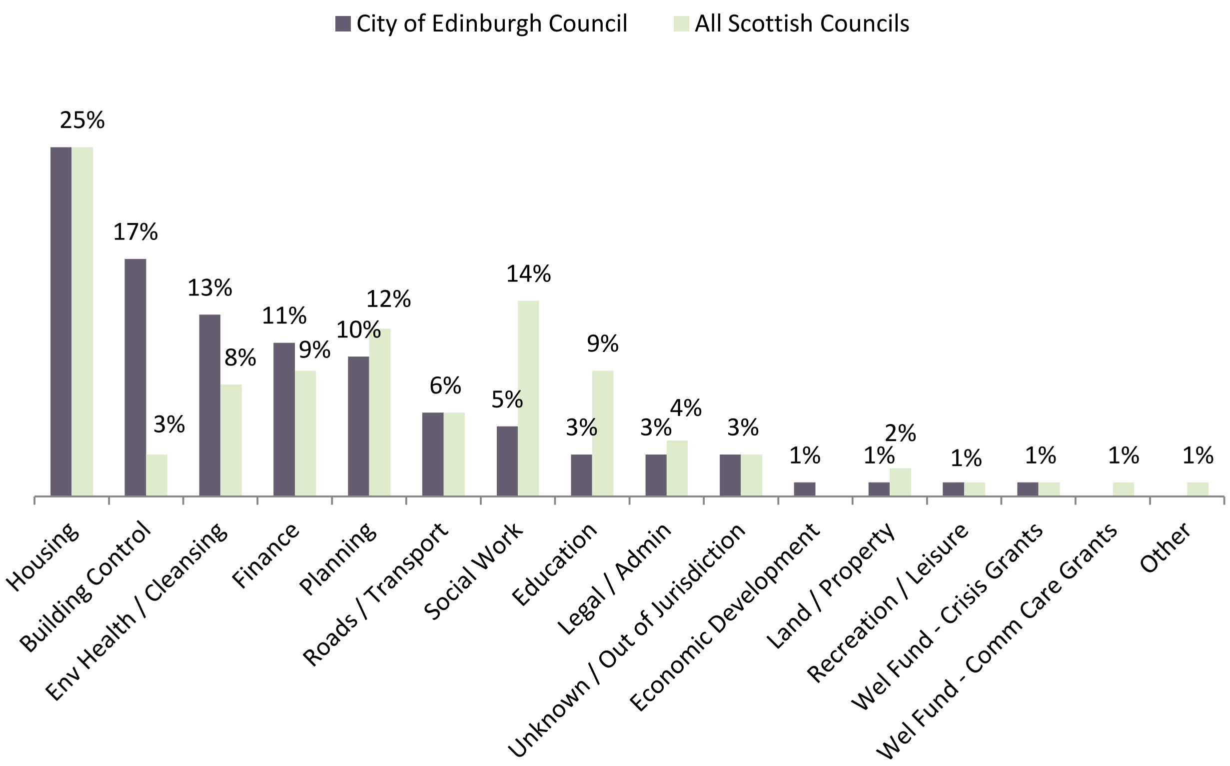
Outline

This section shows complaints to the SPSO by subject in 2014/15, comparing the City of Edinburgh Council with performance across all Scottish councils.

Indicator Status

Not applicable

SPSO complaints by subject, compared to Scottish council average



Analysis

Figures are taken from the Ombudsman's 2014/15 local government complaints report.

The SPSO received 1859 complaints about Scottish councils, of which 259 (14%) related to the City of Edinburgh Council.

It should be noted that out of the 259 complaints received:

- 90 complaints were premature (i.e. the customer had not gone through our 2 stage process before contacting the SPSO)
- 73 complaints were not duly made or withdrawn
- 24 complaints were out of jurisdiction
- 21 complaints had outcomes which were not achievable
- 8 complaints were resolved
- 9 complaints were upheld
- 6 complaints were partially upheld
- 21 complaints were not upheld

Management of complaints escalated to the SPSO (Ombudsman)

The Review Officer in Strategy & Insight provides the Council with a single point of contact for all SPSO complaints. This ensures a consistent approach to SPSO complaints handling in that they are recorded accurately; responses are quality checked before submission; and recommendations arising from the SPSO as a result of complaints are monitored. It also means that more detailed analysis of complaints escalated to the SPSO can be conducted.

37 complaints from the SPSO were received by the Council during 2015/16:

Service Area	No of SPSO Complaints April 15 – March 16
Corporate Governance – Property Conservation	18
SfC – Edinburgh Building Services	3
Corporate Governance – Income & Benefits	3
SfC – Planning & Building Standards	3
SfC – City Centre.Leith Neighourhood	3
Corporate Governance – Committee Services	1
Corporate Governance – Culture and Sport	1
SfC – South Neighbourhood	1
SfC – Waste	1
SfC – Housing Asset Management	1
SfC – Property Care	1
Corporate Governance – Shared Repairs Service	1

Property Conservation accounts for aproximately 50% of all complaints escalated to the SPSO.

32 complaints were closed off during 2015/16, of which 19 were upheld or partially upheld. The Council received the following recommendations from the SPSO during this period:

Property Conservation

- Provide an apology to the customer for the tone of the response letter.
- Provide an apology to the customer for the stress and inconvenience caused due to the delay in completion of works.
- Provide an apology to the customer for the failure to communicate about the status of the statutory notice.

- Provide an apology for the failure of both Property Conservation and the contract administrator to provide clarity about their respective roles and the suspension of the projects.
- Amend the customer's outstanding bill in order that they are only charged for the cost of repairing 12 defective stair treads rather than resurfacing the whole stairwell.
- Provide an apology for the failure to adequately deal with the customer's concerns that additional work had been carried out that exceeded the terms of the statutory notice.
- Provide an apology for failing to clearly explain the costs associated with the statutory notice works and that the Council waives 50% of the customer's administrative fees.
- Review procedures in terms of issuing statutory notices to ensure that they follow the correct procedures when appointing contractors for works and that they retain full and appropriate evidence of this process on file in order to demonstrate compliance with their procurement process and standing orders.
- Provide an apology for the failure to provide a clear, itemised explanation of the costs for work carried out at the property.
- The Council takes steps to ensure they have mechanisms in place to accurately itemise and communicate project costs in line with the Guidance.
- The Council reinstates their offer to deduct the administration fee and provide the customer with a revised cut-off date for acceptance.
- The Council offers to meet with the customer to clarify any outstanding points before the cut-off date for accepting their full and final offer.

Edinburgh Building Services (EBS)

- Review current record keeping process with a view to ensuring that accurate records are maintained when arranging and completing repair work in line with their repair timescales.
- Review guidance to consider incorporating the timescales for repair work.
- Offer the maximum compensation of £100 under the Right to Repair scheme.
- Remind relevant staff of the Council's responsibiities under the Right to Repair scheme.
- Provide an apology to the customer for the poor communication throughout the repairs project.
- Consider how EBS may better research the likely cost of repairs when issuing the initial estimates.
- Pay the customer the sum of £250 in acknowledgement of the time and trouble they had to go to to obtain clarification of the works being carried out and their associated costs.

Planning and Building Services

- Provide the Ombudsman with details of the action taken to improve their mechanisms for logging and responding to correspondence coming into the Planning Enforcement service.
- Conduct a review of the handling of this case with specific regard to the Adviser's comments and consider what action may still be open to them to ensure the purpose of the condition of consent is achieve
- Provide an apology for the poorly worded condition and the impact that this has had on the customer's amenity
- Consider the Adviser's comments on the need for an accurate survey plan showing the relationship to adjacent developments and ground levels and report back to the Ombudsman on any action proposed with regard to future planning applications.
- Consider whether it would be appropriate in this case to pursue a section 71 discontinuance or alteration order.
- Provide an apology to the customer for the additional failings identified by this investigation.

Committee Services

- Provide an apology to the customer for the unreasonable delay and for failing to provide full and appropriate reasons for the decision not to uphold the customer’s complaint.
- Provide the customer with a more detailed explanation of how the CRC (Council Review Committee) arrived at their decision not to uphold the customer’s complaint.
- Review the handling of the customer’s complaint with a view to identifying learning points and ensuring future compliance with their statutory obligations.

Waste

- Review the process followed, in light of the circumstances of this case, when identifying and acknowledging complaints to ensure that in future, complaints such as these are passed to the appropriate service for response in line with the complaints procedure.

Culture and Sport

- Provide the customer with an apology regarding the failure to contact the customer as agreed during the investigation of their complaint, and for the delay in acknowledging their complaint.

All recommendations received from the SPSO are recorded and monitored by Strategy & Insight to ensure recommendations are implemented.

The City of Edinburgh Council

10.00am, Thursday 30 June 2016

Council Companies

Item number	8.2
Report number	
Executive/routine	
Wards	

Executive Summary

This report outlines internal audit findings and recommendations alongside corresponding management actions, following a review of Council companies. Approval is sought for an amendment to the Committee Terms of Reference and Delegated Functions to implement one of the proposed management actions. Details are also provided of the new Council companies' hub and how this aims to improve the officer scrutiny of Council companies.

Report

Council Companies

1. Recommendations

1.1 To agree that Governance, Risk and Best Value Committee scrutinises Council companies and remits are adjusted appropriately within Committee Terms of Reference and Delegated Functions;

1.2 To note the management action taken in regard to the Internal Audit recommendations on Annual Assurance in paragraph 3.23;

1.3 To note the management action taken in regard to the Internal Audit recommendations on the Council observer role outlined in paragraphs 3.27 to 3.30;

1.4 To agree that elected members who are directors of Council companies undertake mandatory training on their duties under the Companies Act;

1.5 To agree to create a Council Companies Hub, chaired by the Chief Executive, as outlined in paragraphs 3.31 to 3.34; and

1.6 To note that an annual report on the work of the Council Companies Hub would be submitted to the Council.

2. Background

2.1 The City of Edinburgh Council operates a number of companies to deliver designated services. Whilst the company takes on responsibility for the delivery of the service, the Council retains responsibility for ensuring the proper use of public funds and achieving best value. Council companies are often seen as an extension of the Council and reputational risks for service failure remain with the Council.

2.2 Due to these risks, the financial pressures facing the Council and the need to ensure improved service delivery, it is critical that effective and robust governance arrangements are in place for all Council companies.

2.3 A review of Council companies was carried out in 2012, with an elected member working group established to consider officer recommendations on governance and the Council's arrangements for its companies. Council agreed a range of proposals for the governance of its companies such as:

2.3.1 elected members remaining directly involved in decision making as directors of Council companies;

2.3.2 Council directors having responsibility for companies in their area of operation; and

2.3.3 executive committees having responsibility for scrutiny of Council companies operating within their remit.

2.4 As part of the Internal Audit Plan for 2015/16, it was agreed that a review assessing the design and operating effectiveness of governance and controls in relation to 'Council Controlled Companies' be undertaken.

3. Main report

3.1 The review by Internal Audit identified four areas of concern:

3.1.1 the independence of elected members as directors of companies;

3.1.2 governance reporting to Council committees;

3.1.3 the Council observer role; and

3.1.4 the annual assurance process for Council companies.

3.2 This report considers the Review's findings and recommendations. Proposals for management action to address these are also outlined along with strengthening the overall governance of Council companies.

Elected Members as directors and Governance Reporting to Council committees

3.3 Internal Audit highlighted the potential for a conflict of interest for elected members who sit on the boards of Council companies. Elected Members who are appointed to these director roles may also routinely sit on the executive committees with the remit to scrutinise the same companies.

3.4 These circumstances could be perceived as a conflict of interest and that elected members' decisions taken at committee were being influenced by their role as directors. This is not best practice and was highlighted as an area of concern in Audit Scotland's report into Arms Length External Organisations in 2011.

3.5 Internal Audit considers this a high risk that could pose significant reputational risk to the Council. The Review recommends that elected members should not sit on boards of companies that are scrutinised by a committee they also sit on.

3.6 The Internal Audit Review also highlighted a medium risk on governance reporting to Council committees. The manner in which Council companies have been scrutinised by executive committees was examined for Edinburgh Leisure, EICC, EDI and Lothian Buses. In the period January 2013 to August 2015, Edinburgh Leisure was scrutinised five times with Lothian Buses, EDI and EICC only scrutinised once.

3.7 The Review highlighted that this inconsistent approach to scrutiny could result in significant reputational risk to the Council due to a lack of transparency in the relationship between the Council and its companies and that risks to both parties may not be brought to the attention of elected members.

3.8 Internal Audit recommends that executive committees review their arrangements for the scrutiny and performance monitoring of each company ensuring effective annual scrutiny at committee.

Actions – elected members as directors and governance reporting to Council committees

3.9 The independence of elected members as directors and how companies are reported to committee are interlinked. There is an inherent conflict of interest for elected members who sit on company boards. As directors of companies they have duties under the Companies Act 2006 and must act in the best interests of the company. The Councillors' Code of Conduct is clear that it is the responsibility of the elected member to declare an interest and judge whether this should prevent them from taking part in any consideration of the item.

3.10 The Code of Conduct does contain a specific exclusion for those Council companies that are established wholly or mainly to provide services to the Council, and that have entered into a contractual agreement with the Council for the delivery of those services or goods (paragraph 5.18 (2) (d)). This means that for some companies the elected member may be able to take part in decisions at committee without breaching the Councillors' Code of Conduct. However, it is not considered to be best practice for scrutiny to be undertaken by elected members who are also directors of the company in question, even if the Code of Conduct permits it.

3.11 These considerations must be weighed up against the fact that a critical element of good governance is to ensure that the directors of Council companies have the skills, expertise and qualifications to carry out their role effectively. In many cases the members, and in particular the convener and vice convener of the relevant executive committee, will have more experience and knowledge of the work undertaken by the company than an elected member who has had no involvement in that area of work. For example a member of the Economy Committee or Culture and Sport Committee will have greater knowledge and experience to bring to the boards of companies such as EDI and Edinburgh Leisure than an elected member who has not served on these committees.

3.12 It is clear from Internal Audit's findings that scrutiny of a Council company should not be solely undertaken by a Council committee that includes the board directors of that company. Elected members simply withdrawing when their company is being considered would not be as effective as a different committee providing an overview and independent scrutiny.

3.13 However, there are benefits in executive committees scrutinising Council companies as otherwise there is the possibility of there being a disconnect between the company's plans for the future and the policy direction of the aligned Council services. It is therefore recommended that the scrutiny of Council companies is separated to allow for executive committees to scrutinise the future plans of the relevant company and the Governance, Risk and Best Value Committee to scrutinise past performance and the accounts.

3.14 There are examples of effective scrutiny from the Economy Committee and the Culture and Sport Committee, whereupon future business plans from companies such as EDI have been considered. The scrutiny process at committee will seek to build on this best practice and ensure that the reporting process is not too onerous and inefficient for either party; and it is envisaged that the same report would be submitted to both committees.

3.15 The Governance, Risk and Best Value Committee have had a critical role in the Council's improvement in governance over the last few years. This was reflected in Audit Scotland's Best Value Report.

3.16 This change in remit will allow the Council's audit and scrutiny committee to regularly monitor, scrutinise, build experience and establish a consistent approach to monitoring and oversight across all Council companies. It would allow those councillors with specific subject expertise to continue as directors of Council companies as scrutiny would no longer be solely carried out by executive committees, mitigating any conflict of interest and perceived bias or influence in decision making. Any directors of Council companies who were also members of Governance, Risk and Best Value Committee would be recommended to declare an interest and consider whether they should withdraw from consideration of that item.

3.17 It is also recommended that the Pensions Audit Sub-Committee be delegated the authority to scrutinise those Council companies that are associated with the pension fund or the management of the fund. The specialist nature of pensions and the expertise of the members of the sub-committee mean it is more appropriate for this committee to scrutinise than Governance, Risk and Best Value Committee. This separate governance and regulation is to ensure the pension fund continues to exercise its duties in a separate and distinct capacity from for example the Council in its capacity as an employer in the pension funds.

3.18 The Council's Committee Terms of Reference and Delegated Functions will require to be amended to take into account the new role of the Governance, Risk and Best Value Committee, the Pensions Audit Sub-Committee and the adjusted role of the executive committees.

3.19 Although this report concerns itself with Council scrutiny of its companies it does not reflect on the scrutiny within the companies itself. Many Council companies have non-executive directors on their Boards who are not elected members. This scrutiny together with the use of audit committees means that Council monitoring would be undertaken in addition to companies' internal governance arrangements.

3.20 It is recommended that all elected members who act as directors of Council companies undertake training on their duties under the Companies Act, including conflicts of interest. To ensure full completion and to mitigate risks regarding any misunderstanding of conflict of interests, it would be beneficial if Council determined that this training be mandatory.

Annual Assurance

3.21 The Review also considered the effectiveness of the Council's annual assurance questionnaire, the aim of which is to provide the Chief Executive and the Council with a level of assurance on the adequacy of the governance arrangements in place in Council companies.

3.22 Internal Audit found the quality of responses received to be inadequate and recommended that an assurance questionnaire tailored to Council companies be revised and utilised, that the checklist should have guidance notes attached to promote a greater understanding of the process and that Council observers and relevant service directors should be required to formally confirm that the responses from each questionnaire reflects their view of the governance of the Council's companies.

Actions - Annual Assurance

3.23 The specific assurance questionnaire recommended by Internal Audit already exists and is currently being utilised as part of the Annual Assurance Process for the year to 31 March 2016. The questionnaire will be adjusted to better reflect the specific requirements relating to companies following consideration of responses by officers. The revised questionnaire will be finalised by 31 December 2016 in good time for issue for the year to 31 March 2017. The accompanying guidance will be improved and along with formal directors' assurance, will be introduced as part of the process for next year.

Council Observer Roles

3.24 The Council nominates Council officers as observers to its companies' boards. Internal Audit have identified minimum requirements for the observers as follows:

3.24.1 Attendance as an observer at all Board and Audit Committee meetings;

3.24.2 Regular receipt and scrutiny of risk registers;

3.24.3 Regular receipt and scrutiny of management accounts and accompanying management information; and

3.24.4 Regular access to management.

3.25 Internal Audit raised concern that these minimum requirements are not being met and that there is no process documentation for any of the roles. The implication of this is that the scrutiny of the operation and performance of companies is not carried out to the required level, and financial or reputational risks may not be identified.

3.26 The Review recommended a series of actions for each executive director as follows:

3.26.1 Executive Director of Resources - to review their approach to how they scrutinise Arms Length Companies that they are responsible for. We would expect the Observer (or a depute) to attend all Board and Audit Committee meetings.

3.26.2 All executive directors - Process documentation covering as a minimum the following points, should be prepared and maintained for each of the Arms Length Companies.

3.26.2.1 Key management contacts;

3.26.2.2 Basic structure of the entity;

3.26.2.3 Key risks to the Council arising from the entity;

3.26.2.4 Nature/timing of meetings attended;

3.26.2.5 Key management information/reports received, their frequency and source;

3.26.2.6 Use made of/procedures undertaken on management information received including any early warning thresholds/KPI's; and

3.26.2.7 Reporting requirements for the relevant scrutinising Council Committee.

Actions – Council Observers

3.27 The Executive Director of Resources has agreed that observers should attend all Board meetings and that when this is not possible comments on the papers are submitted to the Board. The observer would also attend audit committees where possible. Although the recommendation of Internal Audit was for Resources the requirement extends to all directorates.

3.28 The Council's executive directors agreed that the recommendations proposed by Internal Audit outlined in paragraph 3.26.2 of this report be taken forward. The Executive Director of Communities and Families also noted that, due to changes in senior staff, a handover would be necessary.

3.29 The Corporate Leadership Team has instructed a review of the role of the observer to ensure that the role is still relevant, achieves the aims of the Council and has the appropriate officers filling the role. The Review will also examine how the observer feeds back to the Council and how this process could be improved.

3.30 Guidance and guidelines will be prepared for Council observers, to assist them in carrying out their duties and to ensure a consistent approach is maintained across all the Council's companies. The Council Companies Hub outlined below will also monitor observers and ensure that the role is being properly fulfilled.

Council Companies Hub

3.31 There is a corresponding need to improve the internal management scrutiny of Council companies and ensure that this structure both aligns with and supports the committee scrutiny role.

3.32 It is recommended that a Council officer management group or hub is established to provide Council oversight of its companies. This group will scrutinise the management of Council companies, seek assurance over the delivery of services and ensure the Council is aware of any risks. The group would meet quarterly with the aim of each Council company or when appropriate group of companies, outlined in the appendix, coming before the group annually or more frequent if appropriate. It is recognised that there are a considerable number of Council companies of differing significance and that scrutiny will have to be undertaken on a phased approach and one that recognises the specific responsibilities and activities of each company. In the first instance the Hub would focus on Council companies but this could be expanded in future to look at those organisations where the Council holds a significant interest. The report, accompanied by the relevant company representative, would be considered by the Hub and any findings or concerns from the Hub would then be submitted to the Governance, Risk and Best Value Committee and relevant executive committee to inform elected member scrutiny. It is envisaged that the same report would be utilised by the Hub and the committees to ensure a streamlined arrangement and avoid an onerous and inefficient process.

3.33 It is proposed that the core membership of the Hub is the Corporate Leadership Team with other appropriate officers added when required. The Hub would be chaired by the Chief Executive. All executive directors should be members to ensure a co-ordinated cross-service approach. The Chief Executive, Section 95 Officer (Executive Director of Resources) and Monitoring Officer (Head of Legal and Risk) should be members in view of their statutory responsibilities for Council services as it is likely that Council services provided by Council companies are included in this remit.

3.34 As part of the improvements to the internal management scrutiny of Council companies, a team within the Strategy and Insight division will provide guidance, monitoring and will manage the Council companies hub and its connection to the Council's committees. A critical objective of this team is to ensure that the Council takes a consistent approach to its companies.

4. Measures of success

4.1 To address the concerns raised in the review by Internal Audit and improve the governance arrangements of the Council in regard to its companies.

5. Financial impact

5.1 The costs of establishing and administering the hub will be contained within existing revenue budgets.

6. Risk, policy, compliance and governance impact

6.1 There is a risk that issues and concerns relating to Council companies are not identified to elected members or senior management and may impact on service delivery, or pose a financial or reputational risk to the Council. The creation of the Council Companies Hub and the added support to observers aims to mitigate this risk.

6.2 If the scrutiny arrangements of Council companies are not changed there is a reputational risk to the Council. This is due to a possible perception that there is a conflict of interest for those elected members who are directors of Council companies and who sit on committees that scrutinise those companies.

7. Equalities impact

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

8. Sustainability impact

8.1 There is no direct sustainability impact as a result of this report.

9. Consultation and engagement

9.1 Consultation took place with the Acting Executive Director of Resources and the Acting Head of Legal and Risk.

10. Background reading/external references

10.1 Council Companies – City of Edinburgh Council 13 December 2012

Andrew Kerr

Chief Executive

Contact: Kirsty-Louise Campbell, Head of Strategy and Insight (Interim)

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

11. Links

Coalition Pledges	
Council Priorities	
Single Outcome Agreement	
Appendices	Appendix one: list of active companies

List of Active Council Companies considered in the audit

Company Name	Subsidiary 1	Subsidiary 2	Subsidiary 3
CEC Holdings Limited			
	The EDI Group Limited		
		EDI (Industrial Limited)	
		EDI Central Limited	
		Edinburgh Retail Investments Limited	
		North Ayrshire Ventures Limited	
		New Larieston (Glasgow) Limited	
		EDI Market Street Limited	
		Buredi Limited	
			Bell’s Mills Limited
		Waterfront Edinburgh limited	

Company Name	Subsidiary 1	Subsidiary 2	Subsidiary 3
			Caledonian Waterfront (Harbour Road) Limited
			Waterfront Edinburgh (Management) Limited
		Shawfair land limited	
		Edinburgh Park (Management) Limited	
	Parc Craigmillar Limited		
		Parc Craigmillar Development Limited	
Transport for Edinburgh	Trams for Edinburgh Limited		
	Lothian Buses Limited		
		Edinburgh Bus and Coach limited	
		Lothian Region Transport Limited	
		Majestic Tours Edinburgh Limited	

Company Name	Subsidiary 1	Subsidiary 2	Subsidiary 3
		Edinburgh City Transport Limited	
		City Sightseeing Edinburgh Limited	
		The Overground Limited	
		Lothian Country Buses Limited	
		Edinburgh Bus Tours Limited	
		Leith Walk Property Limited	
		Mactours Limited	
		Lothian Trams Limited	
		Lothian Transport Limited	
	Transport Edinburgh Limited		
	CEC 2013 Limited		

Company Name	Subsidiary 1	Subsidiary 2	Subsidiary 3
Festival City Theatres Trust			
	Festival City Theatres Trading Limited		
CEC Recovery Limited			
East of Scotland Investment Fund Limited			
Essential Edinburgh			
Lothian Investment Fund for Enterprise Limited			
Edinburgh international Conference Centre Limited			

Note: Dissolved companies have not been included.

City of Edinburgh Council

10.00am, Thursday, 30 June 2016

Unaudited Annual Accounts 2015/16

Item number	8.3
Report number	
Executive/routine	
Wards	

Executive summary

The report presents the Council's 2015/16 Unaudited Annual Accounts to Members. These statements present the financial position and performance of the Council, together with that of the wider Council Group, for the year to 31 March 2016.
The report also includes a summary of the outturn position and notes that a detailed report will be brought to the Finance and Resources Committee in August.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO1, SO2, SO3, SO4

Report

Unaudited Annual Accounts 2015/16

Recommendations

1.1 It is recommended that Council note that:

1.1.1 the unaudited annual accounts for 2015/16 will be submitted to the external auditor by the required date;

1.1.2 a detailed report on the outturn will be reported to the Finance and Resources Committee in August 2016; and

1.1.3 the audited annual accounts and the auditor's report will be submitted to the Governance, Risk and Best Value Committee and the Finance and Resources Committee at the conclusion of the audit in September 2016 and thereafter to Council in October 2016.

Background

2.1 The purpose of this report is to present the unaudited annual accounts for 2015/16 for Council's consideration.

2.2 The Council's unaudited annual accounts, shown in Appendix 1, have been completed in accordance with proper accounting practices and are being presented to Council prior to submission to the external auditor by 30 June, as required by the Local Authority Accounts (Scotland) Regulations 2014.

2.3 Members should note that the annual accounts must be published on the Council website no later than 30 June 2016 and made available for inspection for a period of 15 working days immediately thereafter.

Main report

3.1 The financial position for the Council, and its wider group responsibilities, is presented in the following statements:

- Movement in Reserves Statement (pages 15-17);
- Comprehensive Income and Expenditure Statements for the Group (page 18) and the Council (page 19); and
- Balance sheets for the Group (pages 20-21) and the Council (pages 22-23).

3.2 The consolidated group accounts include the results of the following subsidiaries, associates and trusts:

- Subsidiaries – CEC Holdings Ltd and Transport for Edinburgh Ltd;

- Associates – Edinburgh Leisure, Festival City Theatres Trust, Common Good and Lothian Valuation Joint Board; and

- Trusts – International Conference Centre Income and Expenditure Trusts.

3.3 The unaudited annual accounts also include a remuneration report. This covers the Council's Leader, Civic Head, Senior Councillors and Conveners of Joint Boards and senior employees within both the Council and its subsidiary companies for current and, where applicable, former post holders (pages 141 to 151).

Outturn Summary

Revenue

3.4 The Council's outturn position shows a net underspend against budget of £0.861m. This is attributable to the following main factors:

- There was an underspend within the General Fund of £4.427m. Within this amount, four of the five main service areas returned small underspends against their approved budgets. Health and Social Care returned an underspend of £3.446m, having received additional funding during the financial year from other areas of the Council's budget.

- Centrally funded staff release costs of £20.942m were accounted for in year. The costs included relate to staff leaving during the year under the Transformation programme and any amounts for pre-approved exits even if the leaving date is in a subsequent period, in accordance with IAS 19. The costs were funded using the service underspends, non-service specific surplus incomes and underspends along with drawing down on earmarked reserves.

- Net savings in loan charges / interest received of £1.553m, mainly as a result of the continuing Council strategy not to undertake external borrowing to finance capital investment during the year.

- Increase in the amount of Council Tax income collected, compared to budget, of £2.493m, mainly as a result of additional properties on which the tax can be levied.

3.5 The net underspend of £0.861m has been set aside within the Council Priorities Fund. The balance in the Council Priorities Fund is fully committed. Members are asked to note that a detailed outturn report will be presented to the Finance and Resources Committee in August 2016. A reconciliation of the Comprehensive Income and Expenditure Statement to the underspend of £0.861m is shown in Appendix 2.

HRA

3.6 The HRA was balanced after making a contribution of £2.256m to the Renewal and Repairs Fund, via the General Fund. These funds are earmarked for future capital investment in new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform. An additional £10m of debt was paid off in the year to 31 March 2016.

Capital

3.7 Capital expenditure, including the HRA, totalled £191.915m, compared to a revised budget of £214.107m, showing slippage of £22.192m, or 10% of budget. Within these amounts, expenditure on General Fund services slipped by £8.988m, the majority of which related to delays on the Boroughmuir High School replacement, Portobello High School replacement and Early Years improvement projects, while expenditure on the HRA slipped by £13.204m.

3.8 Capital income totalled £189.362m, compared to a revised budget of £143.979m. The favourable position includes the planned but unbudgeted receipt within year for the sale of the Atria totalling £91.251m. This is presented net of a transfer to the capital fund of £51.889m which is earmarked to fund Transformation costs, top up the strategic acquisition fund and to redeem debt.

3.9 In total £2.553m was funded through borrowing, of which £14.152m under-borrowing related to the General Fund and £16.705m funded to the HRA. The revenue costs arising from borrowing, where required, have been provided for in the 2016-17 budgets and are containable within the Council's Long-Term Financial Plan and HRA business plan.

3.10 The Annual Accounts will be submitted to the Governance, Risk and Best Value Committee, together with the ISA260 report from the External Auditor, and the Finance and Resources Committee for approval in September 2016 and to Council after conclusion of the audit.

Reserves

3.11 At 31 March 2016, the General Fund reserves had risen to £128.472m, an increase of £10.948m. The level of reserves is reviewed annually by Council as part of the revenue budget process. This review considers the level of balances held, the financial risks which may occur and the arrangements in place to manage these.

3.12 The unallocated General Fund balance remains at £13.025m at 31 March 2016. The remaining £115.447m is earmarked for specific purposes. These earmarked balances are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future – examples include monies earmarked for equal pay and the insurance fund. The Council holds £57.477m against these future risks.
- Balances set aside, primarily from grant income, due to timing differences between the receipt of grants income and contributions and the planned

expenditure thereof. The Council holds £47.302m of income which has been received in advance of planned expenditure, an increase of £8.597m.

- Balances set aside to enable the Council to undertake investment in specific projects, which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances. The Council holds £7.864m of balances for such projects.
- Balances held under the Devolved School Management scheme of £2.804m. This scheme permits balances held on individual school budgets to be carried forward to the following financial year.

3.13 Details of the earmarked balances are shown in Appendix 3.

Pension Liability

3.14 The annual accounts have been prepared as determined under International Accounting Standard (IAS) 19, Employee Benefits. Under IAS19, the Council's net pension liability now stands at £438.940m, a decrease of £288.029m from the balance at 31 March 2015. The actuarial valuation considers the appropriate employer's rates and this, together with employee contributions and revenues generated from fund investments, will be utilised to meet the fund's future commitments.

Measures of success

4.1 Council receives an unqualified audit certificate from the External Auditor by 30 September 2016.

Financial impact

5.1 The report identifies where funding has been made available for known risks and the Council holds unallocated General Fund reserves against the likelihood of unfunded risks occurring.

Risk, policy, compliance and governance impact

6.1 The Governance, Risk and Best Value Committee will consider the annual accounts at the conclusion of the audit.

Equalities impact

7.1 There are no equalities impact implications arising from this report.

Sustainability impact

8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

Consultation and engagement

9.1 The unaudited annual accounts will be published on the Council's website from 30 June 2016 and made available for public inspection for a period of 15 working days in accordance with the provisions of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014.

Background reading/external references

None

Hugh Dunn

Acting Executive Director of Resources

Contact: Catrina Montgomery, Senior Accountant

E-mail: catrina.montgomery@edinburgh.gov.uk | Tel: 0131 469 3497

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 agreed 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	1. Unaudited annual accounts 2015/16 2. Summary reconciliation of the Comprehensive Income and Expenditure Statement to the reported underspend 3. Revenue balances

THE CITY OF EDINBURGH COUNCIL

2015/2016
UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2016

CONTENTS

MANAGEMENT COMMENTARY

Basis of Accounts

The Unaudited Annual Accounts present the financial position and performance of the Council, together with the financial position of the wider Council Group for the year to 31 March 2016.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice.

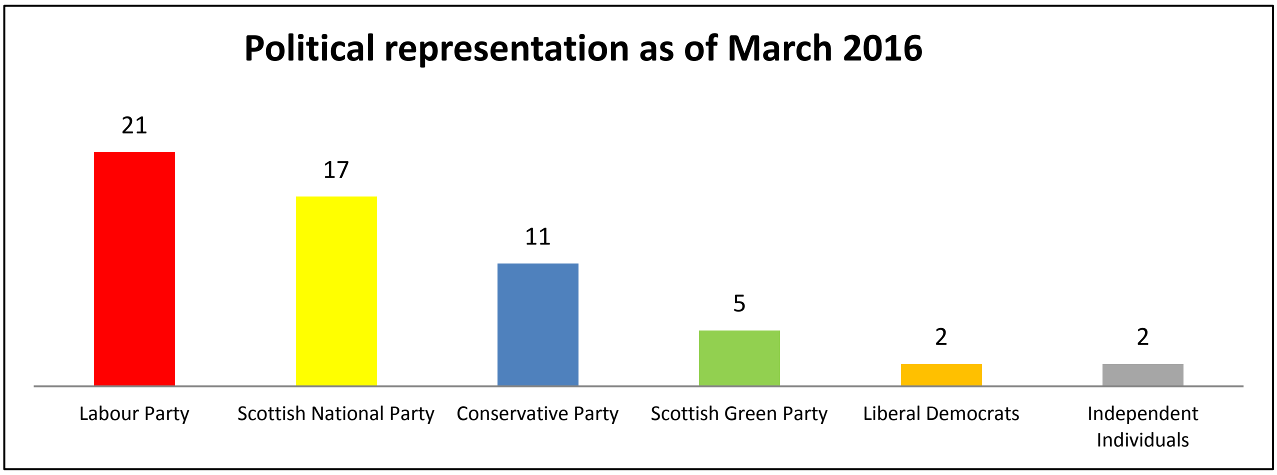
Statutory Background

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to just under half a million citizens across the 102 square mile Council area.

Comprehensive further detail of the services provided by the Council is included on its website and within the annual **Key Facts and Figures** publication.

The Council currently has 58 Councillors representing 17 wards within the city.

Political representation as of March 2016 was as follows:



The Labour and Scottish National Party groups together form the Capital Coalition for the City of Edinburgh, which is made up of 38 of the 58 Councillors.

The Capital Coalition leads the Council and fills the roles of Lord Provost, Leader of the Council and most committee converships.

The Full Council meets once a month and also delegates decisions to committees which meet regularly throughout the year.

Details of the senior councillors' remuneration and committee roles are disclosed in the Remuneration Report from page 141 of these financial statements.

MANAGEMENT COMMENTARY

Corporate Strategy

The current **Council Strategic Plan** was first developed in 2012 and outlines priorities for the period 2012-17. The plan forms the central part of the Council's planning and performance management framework and is reviewed and updated each year to take consideration of new developments, emerging priorities and actions.

A new Council strategic planning and performance framework was agreed in June 2015. This framework was developed to provide both a simple and clear articulation of the Council's vision and purposes and a concise set of shared strategic themes and principles around which all Council services can be built. Following these principles, the framework adopted a single vision for the city, shared with all Council partners, to ensure that Edinburgh is a thriving, sustainable capital city in which all forms of deprivation and inequality are reduced.

The **Council Business Plan for 2016/20** builds on the new strategic direction for the Council, providing a clear vision for the city and the type of organisation the Council needs to be in order to help deliver that vision. The plan sets out overlapping strategic themes common to the work of all service areas. These themes set out a commitment for the Council to:

- Improve quality of life for all our citizens
- Ensure economic vitality for Edinburgh, powering sustainable growth and jobs for a wide city region and
- Build excellent places, maintaining Edinburgh as an attractive place to live, work, visit and invest.

Across all of these themes, the plan sets out a further common commitment to provide best value and to deliver lean and agile Council services. In doing so, the plan incorporates budget savings plans and actions agreed as part of the budget setting process and the Council'ls 2016-20 Revenue and Capital Budget Framework, as well as activity undertaken and agreed as part of the Council Transformation Programme.

The business plan describes six future Council service principles to guide the development of all Council services over the next four years.

Focused on Customers
We are a Council in which services are designed around the needs of our customers, protecting the needs of our city's most vulnerable citizens

An Integrated Council
We are a Council of joined up services working together effectively with our partners

Empowered Communities
We are a Council which engages with our communities and enables community-led service design and delivery

A Sustainable Capital City
We are a low carbon, resource efficient Council, supporting resilient and sustainable communities in the rich natural setting of our city

Value for Money
We are a Council which makes best use of its resources, assets and facilities

High Performing Workforce
We are a Council where services are delivered by an engaged and empowered, high performing workforce

Within these themes, the plan also provides an overview of key priority outcomes for the Council, linked to priorities set out in existing service plans and strategies and to key priorities emerging from customer consultation and engagement work. The plan also incorporates all actions to re-shape services within the reduced financial resources we have available.

MANAGEMENT COMMENTARY

Risks and Uncertainty

In 2012, an external review of the Council's risk management arrangements concluded that they were inadequate for an organisation of its size, nature and complexity. The co-sourcing arrangements for the internal audit and risk management service subsequently put in place by the then Director of Corporate Governance therefore sought to enhance the Council's capacity and capability in this area and the extent of improvement has been noted in successive external assessments.

The Corporate Leadership Team's (CLT) **prioritised risks** as at January 2016 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them;

Risk	Risk Description	Key Mitigating Controls
1. Maintenance of Capital Assets	Risk that the Council does not have sufficient resources to structure and maintain a capital portfolio that is fit for purpose and safe.	• Property Management report to CLT • Condition surveys performed routinely • Property Rationalisation work-stream
2. Cyber Security and Data Privacy	Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.	• Laptop and media encryption • Data awareness campaign • Service automation controls in place • Leavers process includes removal of access to IT • Implemented recommendations from Internal Audit
3. Integrated Care Programme	Risk over the affordability and delivery of the Adult Social Care, particularly due to demographic changes, impacting the outcomes and care for the people of Edinburgh.	• Integration Scheme • Strategic Commissioning Plan • Establishment of Shadow Board • Establishment of Leadership Group
4. ICT Infrastructure	Risk that the ICT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council through the transition phase to the new ICT provider.	• Consultation with staff to design correctly • Output specifications clearly identified • Engagement with staff and service providers • Change controls built into new contract • Single provider has been selected
5. Transformational Change Agenda	Risk that the Council's transformational change agenda is not implemented effectively with support from Elected Members and Trade Unions resulting in the Council failing to meet service delivery outcomes impacting cost reductions and staff morale.	• Transformational governance with full-time resource • External assurance and skills utilised • CLT monitoring and reporting on projects • Governance of major projects status reports • Ongoing consultations with Trade Unions • Maintain profile on Service Area risk registers
6. Savings Targets	Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.	• Services budgets include a cost pressure contingency • Savings information reported monthly to CLT • External assistance to drive benefits realisation • Monthly budget monitoring and challenge meetings
7. Planning for Increased Demand	Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.	• Demographic funding built into long term financial plans • Provision for demographics • Strategic workforce planning Board reporting to CLT • Continuing agenda item for CLT's consideration • Improved information to deliver stronger business case
8. Public Protection	Risk that the public in general and service users in particular experience harm and/or negative outcomes through either a lack of adequate resource or process failure.	• Established multi-agency public protection procedures • Agreed infrastructure of multi-agency governance through protection committees and Edinburgh's Chief Officers' Group - Public Protection • Detailed audit and practice evaluation programmes
9. Workforce Planning	The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.	• Workforce Strategy to support design of a flexible, motivated and high performing workforce with the right capabilities, capacity and culture • Line by line funded establishment • Transformation workforce workstream
10. Service Provider Degradation	Risk of ICT disruption for the remainder of the existing outsourced provider contract impacts 'business as usual' and the ability to deliver all requirements.	• Daily conference calls with provider to escalate issues • Increased management of key systems in-house • Additional support from other 3rd parties as required • Monthly update of ICT providers performance to CLT
11. Delivering Council Commitments	Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.	• Service Areas' clearly defined Service delivery plans • KPI's to assess progress against objectives • Prioritisation of resources through strategic workforce planning initiatives • Annual Internal Audit reviews to track performance
12. Health and Safety Management	Risk that Health and Safety policy and culture are not clearly understood and embedded in a consistent manner within the organisation, leading to a lack of accountability and responsibility which could result in avoidable harm.	• Health and Safety assurance reviews • New management structure for Health and Safety • Service Area Health and Safety reporting and oversight • Effective engagement with staff and Trade Unions • Risk and Assurance quarterly reporting • Implement Health and Safety governance structure

MANAGEMENT COMMENTARY

Performance Overview

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of additional measures, aligned to the Council's priorities, continues to be reported on a monthly basis to the Corporate Leadership Team and half-yearly to the Corporate Policy and Strategy Committee and relevant Executive Committees. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance. Progress is tracked against around forty key indicators covering the full range of Council services, with both absolute levels and trends in performance analysed to identify areas for remedial action and / or dissemination of best practice. Edinburgh-specific performance data for 2015/16 has also been provided through a range of other channels, including the Edinburgh People Survey, audits and inspections. Performance against a range of local-level, "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

The Council's Best Value Audit report was published in May 2013 and recognised a range of improvements since the previous assessment in 2007, including good progress in improving outcomes for people and communities. In concluding that the Council's finances were well managed, the report nonetheless highlighted significant risks and uncertainties and, in light of these, the paramount importance of identifying savings that were both achievable and delivered.

A follow-up audit was undertaken in summer 2014, with the **Controller of Audit's findings** reported to the Council in December.

These findings noted improvements in a number of frontline services that had been highlighted in the May 2013 report, as well as to the Council's wider governance arrangements, risk management and internal audit functions. Despite progress in these areas, the report noted with concern that a means of fully addressing the Council's savings gap remained to be found, as well as the continued lack of a comprehensive workforce strategy and shortcomings in information and communications technology arrangements. A further update was subsquently reported to Council on 10 March 2016. The principal findings of this review were:

- Considerable progress has been made in addressing the Council's increasingly challenging financial position. The Council has a clear strategy for changing the way it delivers services, reducing its workforce and achieving substantial financial savings.
- Elected members and senior managers now have a shared understanding of the challenges facing the Council and the action that needs to be taken.
- The Council's various improvement projects have been consolidated into a single transformation programme. The programme is now being used to redesign services and change the way the Council operates.
- A workforce strategy has been developed, supported by more detailed plans, setting out the size and shape of its future workforce needs.

Under Section (1) (1) (a) of the Local Government Act 1992, the Accounts Commission has a statutory power to define the performance information that councils must publish locally in the following financial year with a view to facilitating comparison over time within, and across, authorities. The approach adopted in recent years has been largely non-prescriptive, with councils encouraged to develop their own comprehensive performance data sets, building on the Scotland-wide **Local Government Benchmarking Framework** to promote performance improvement and the targeting of resources to areas of greatest impact.

Due to the time required for calculation, verification and publication of Scotland-wide figures, provisional 2015/16 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2014/15 performance against the sixty efficiency- and outcome-related indicators comprising the framework and other relevant indicators as they related to the Council's then five strategic themes has, however, been produced, as well as more detailed briefings on the framework's seven elements. **These briefings** analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

Comprehensive detail of both **Council-wide and service-specific performance** is also available on the Council's website.

Progress in delivering the **Capital Coalition's Pledges** is furthermore reported to Council on a six-monthly basis.

MANAGEMENT COMMENTARY

Financial Ratios

Financial ratios relating to Council Tax, debt and borrowing are shown below.

Council Tax	2015/16	2014/15	Notes on Ratios
In-year collection rate	96.10%	95.40%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	25.02%	24.78%	This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing - Prudence			**Notes on Ratios**
Capital Financing Requirement	£1,633.0m	£1,726.0m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 39 to the Financial Statements.
External debt levels	£1,622.9m	£1,677.2m	External debt levels include long-term, commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability			**Notes on Ratios**
Financing costs to net revenue stream - General Fund	11.80%	11.94%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream - HRA	33.23%	34.43%	
Impact of capital investment on Council Tax	-0.61%	0.96%	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	0.45%	-0.10%	

MANAGEMENT COMMENTARY

Financial Performance

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 18. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement (pages 15 to 17).

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below.

	Budget 2015/16 £000	Actual 2015/16 £000	(Under) / Over Spend £000
General Fund services	846,022	841,595	(4,427)
Centrally funded release costs	11,000	20,942	9,942
Dividend income (net)	(5,000)	(4,925)	75
Loans charges / interest on revenue balances	115,082	113,529	(1,553)
Net contribution (from) / to earmarked balances	(10,174)	(10,174)	0
Total expenditure to be funded	**956,930**	**960,967**	**4,037**
Council Tax	(238,113)	(240,645)	(2,532)
Council Tax Reduction Scheme	26,621	24,255	(2,366)
Total - Council Tax income account	(211,492)	(216,390)	(4,898)
General revenue funding	(354,576)	(354,576)	0
Distribution from non-domestic rate pool	(390,862)	(390,862)	0
Funding	**(956,930)**	**(961,828)**	**(4,898)**
Transfer to Council Priorities Fund	**0**	**(861)**	**(861)**

Fees and charges levied by the Council have been offset against the cost of providing services and are included within the actual cost of General Fund Services shown above.

Budget performance - General Fund

While a balanced overall position against the Council's budget was again delivered in 2015/16, significant pressures were nonetheless apparent, particularly in Health and Social Care. These pressures were addressed through identification of corresponding savings across other service and corporate areas. Formal incorporation within the budget framework of additional investment in both Health and Social Care and Corporate Property gives the potential for these to be addressed on a sustainable basis. Crucial to this sustainability, however, is the delivery of an unprecedented level of savings in 2016/17 and these will be subject to on-going monthly monitoring and discussion at Corporate Leadership Team and regular scrutiny by elected members, particularly via the planned series of Budget Challenge meetings.

The main variances in the Council's outturn position arose in the following areas:

- An underspend within General Fund services of £4.427m, primarily due to the five service areas returning underspends against their revised budgets and favourable movements in non service specific payments and provisions during the year.
- Centrally funded release costs variance of £9.942m, as a result of £20.942m costs incurred as part of the Transformation Programme, see page 10. Funded from underspends elsewhere within the General Fund.
- A reduction of £1.553m on loan charges / interest received, mainly as a result of the Council's planned strategy not to undertake borrowing to finance capital investment during the year.

Financial Performance - continued

Budget performance - General Fund - continued

- Additional Council Tax receipts, compared to budget, of £2.532m, mainly as a result of additional properties on which tax can be levied, and a reduction in exemptions. A further saving of £2.366m compared to budget was achieved on the Council Tax Reduction Scheme.
- The Council transferred a net sum of £10.174m from earmarked reserves during 2015/16. The Council's reserves are covered on page 9 of the management commentary and in more detail in note 10.1.
- The surplus of £0.861m returned in 2015/16 was transferred to the Council Priorities Fund, which forms part of the earmarked proportion of the General Fund for contingency funding, as detailed in note 10.1.

Principal Sources of Funding - General Fund

The principal sources of funding used by the Council during the year were:

	£000
Council Tax, net of Council Tax Reduction Scheme (CTRS)	216,390
General revenue funding	354,576
Distribution from non-domestic rates pool	390,862
Total	961,828

Reconciliation to Amounts Reported for Resource Allocation Decisions

Note 32 to the Annual Accounts shows the amounts reported for resource allocation decisions. The service income and expenditure shown in note 32 can be reconciled back to the total shown for General Fund services as follows:

	Expenditure £000	Income £000	Net Expenditure £000	Budget £000
Children and Families	421,836	(22,833)	399,003	399,469
Corporate Governance	116,165	(36,355)	79,810	79,950
Economic Development	17,811	(5,949)	11,862	11,877
Health and Social Care	285,025	(77,535)	207,490	210,937
Lothian and Borders Valuation Joint Board	3,744	0	3,744	3,744
Services for Communities	383,430	(249,139)	134,291	134,395
Net cost of housing benefits / CTRS	225,171	(201,072)	24,099	26,559
Other non-departmental specific income	5,725	(174)	5,551	5,712
	1,458,907	(593,057)	865,850	872,643
General Fund services (as shown on page 7)			841,595	846,022
Council Tax Reduction Scheme (as shown on page 7)			24,255	26,621
			865,850	872,643

Classification of Community Safety Expenditure

In accordance with guidance issued by LASAAC in December 2014, the Council has not reclassified Community Safety expenditure as Housing Services. The following figures which relate to Community Safety are included in Environmental Services within the Comprehensive Income and Expenditure Statement. Relevant expenditure relates to crime reduction (payments to Police Scotland) and CCTV costs.

	2014/15 £000	2015/16 £000
Relevant Community Safety expenditure included in Environmental Services	3,461	3,455

MANAGEMENT COMMENTARY

Financial Performance - continued

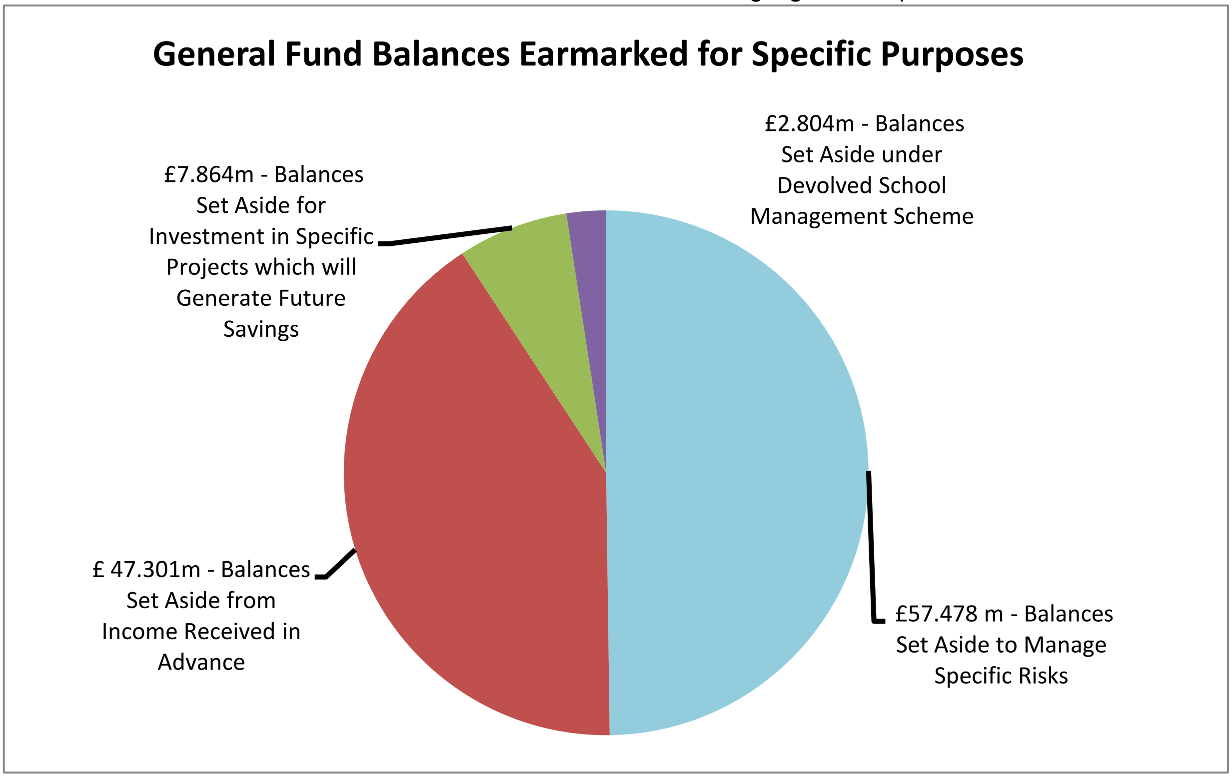
Reserves
General Fund
The Council's General Fund reserves comprise two elements:

- The unallocated General Fund; and
- Balances earmarked for specific purposes.

The unallocated General Fund is held against the risk of unanticipated expenditure and/or reduced income arising in any particular year. The level of this reserve is reviewed annually by the Council as part of the revenue budget process. This review considers the level of balances held, the financial risks which could be realised and the arrangements in place to manage these.

The **latest review** was in January 2016, as part of the 2016-2017 budget setting process. The unallocated General Fund balance remains at £13.025m, which equates to 1.36% of the annual budgeted net expenditure. There were no planned contributions to the unallocated General Fund for 2015/16.

In addition, the Council has a further £115.447m of balances earmarked for specific purposes. Details can be seen in note 10 to the Financial Statements. The chart below highlights the split of these balances.



These balances are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future. Examples include monies earmarked for staff release costs and the insurance fund.
- Balances set aside from income received in advance are primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof.
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances.
- Balances held under the School Board Delegation Scheme (DSM), which permits balances on individual school budgets to be carried forward to the following financial year.

In summary, the level of reserves at 31 March 2016, together with the forward strategy, are considered appropriate in view of the financial liabilities and risks likely to face the Council in the short to medium term.

Other Reserves
The Council holds other useable reserves; these are the Capital Grants Unapplied Account with a balance of £2.657m, the Capital Fund with a balance of £68.793m and the Renewal and Repairs Fund with a balance of £38.194m.

MANAGEMENT COMMENTARY

Financial Performance - continued

On-Going and Future Developments

Transformation Programme

The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council has developed a Transformation Programme aimed at building a lean and agile organisation, centred on customers, services and communities. On 25 June 2015, Council approved a report on the **Transformation Programme** which set out the future operating model for the Council.

At present, four organisational reviews have now completed (Tier 3, ICT, HR and Communications) with these structures now operational and savings targets met. A further 10 reviews are now in the matching and assignment stage. As reviews reach the end of consultation, the Transformation team is working closely with Lead Officers, Finance Managers and HR Business Partners to gather data on any revisions to the proposed structures and any associated financial implications, to ensure that savings targets are being met, with this reported to CLT on a monthly basis. As at 27 May 2016, staff accounting for a total of 554.9 FTE have left or are confirmed to be leaving the Council. These confirmed reductions will achieve recurring savings of £20.8 million. The one off VR/VERA and pension strain cost for those cases is £20.7 million and the overall payback period is 13.8 months, which is in line with planning assumptions.

Good progress is also being made with the roll out of 153 new digital transactions as part of the Channel Shift Programme. The programme is on track for the "go live" of the first two batches of transactions by the end of June, which are mainly related to Environment (roads, parks and waste) and Licensing.

Budget framework

On 21 January 2016, the Council approved a firm **balanced budget for 2016/17** and indicative balanced budgets for the following two years, subject to confirmation of actual grant funding allocations. With the intention of supporting the areas concerned return to a sustainable financial footing, the approved budget framework includes additional service investment in both Health and Social Care and Corporate Property, funded by means of a range of transformation programme and service prioritisation-based savings within these functions and across the Council as a whole. The combined impact of this service investment, cost pressures arising from legislative change, continuing increases in demographic-led demand, inflationary uplifts and a cash-terms reduction in grant funding means that over £70m of savings require to be delivered in 2016/17 alone. Given this position and building on the improved scrutiny of the delivery of approved savings proposals and management of risks and pressures put in place for 2015/16, the first "budget challenge" meetings involving Directors and key elected members have been held, with a further round taking place in June. These meetings are being supplemented by monthly Corporate Leadership Team consideration and discussion.

Following the Commission on Local Tax Reform report, the Scottish Government has announced changes to Council Tax to be implemented from the 2017/18 financial year. The council tax band multipliers for properties in bands E, F G and H relative to Band D properties will increase, with the freeze lifted allowing a maximum increase of 3% per year, which is in-line with the Council's long-term financial plan assumptions. In the medium- to longer-term, the Scottish Government has also signalled the potential for councils to be assigned an element of income tax receipts generated in their respective areas as an incentive to encourage economic growth.

Health and Social Work Integration

The Public Bodies (Joint Working) (Scotland) Bill

The Public Bodies (Joint Working) (Scotland) Bill was given Royal Assent by the Public Bodies Act and was laid before the Scottish Parliament in the summer of 2015.

Formal delegation of functions and resources to the Edinburgh Integration Joint board (EIJB) commenced on the 1st April 2016, following approval of the Strategic Plan by the EIJB.

The Council's Internal Audit function audited the arrangements for Integration in Spring 2015 and the audit was signed off in July.

Governance

The Edinburgh Integrated Joint Board is now formally in place.

A Tripartite agreement setting out the principles under which the Edinburgh Health and Social Care Partnership comprising the Edinburgh Integrated Joint Board (EIJB), NHS Lothian (NHSL) and the City of Edinburgh Council (the Council) will operate was agreed in March 2016. It outlines support of the Integration Scheme, describes the sharing of duties, powers and responsibilities and risks and ensures compliance with statutory regulations and guidance.

The leadership arrangements in place up to the formal establishment of the Integrated Joint Board have been replaced by the Edinburgh Health and Social Care Partnership Interface Group. This group will ensure open dialogue between the parties and has a remit to; discuss financial matters, resolve any delivery issues, discuss operational matters in relation to directions and as the first point of discussion with regard to formal disputes.

The Chief Officer took up post on 2nd November 2015 and prior to this the Interim Chief Finance Officer was appointed in August 2015.

MANAGEMENT COMMENTARY

Financial Performance - continued

Health and Social Work Integration - continued
Resource
The Edinburgh Integrated Joint Board holds a combined budget of around £577 million of which approximately £185 million is derived from the Council budget. This brings together existing budgets from the Health and Social Care Service in the Council as well as those from NHS Lothian's Community Health Partnership. These budgets are to be delegated to the Integrated Joint Board for governance, planning and resourcing purposes. The Strategic Plan through directions will identify how the resources are to be spent to deliver on the national outcomes and how the balance of care will be shifted from institutional to community-based settings.

Housing Revenue Account
The Council has a statutory obligation to maintain a housing revenue account (HRA) which records all income and expenditure for the management of, and investment in, Council homes. All expenditure on homes let by the Council is funded through the rent and related service charges paid by its tenants.

The HRA Business plan supports delivery of the City Housing Strategy by:

- providing high quality housing services to tenants;
- improving the quality of existing homes and neighbourhoods; and
- building new, energy efficient affordable homes to address the shortage of affordable housing in the city.

Since 2006/07, the HRA has been supported by a rent strategy of annual rent increases to ensure that there was a robust financial framework for delivering the capital investment required to meet the Scottish Housing Quality Standard by 2015. Following this, consultation was carried out with tenants to identify their top investment priorities for 2015/16. Based on the outcome of this consultation, capital investment focused investment to reduce household energy costs and build more affordable homes.

The 2015/16 Capital Programme prioritised investment in energy efficiency measures to alleviate fuel poverty and contribute to the Council and national carbon saving targets. All Council homes need to meet the Energy Efficiency Standard for Social Housing (EESSH) by 2020. The Programme worked towards this target by accelerating the installation of new heating systems. The Capital Programme also focused delivery on an external fabric programme to improve energy efficiency in blocks across the city, through a combination of insulation and external render upgrades.

In addition to this, tenants have benefited from further modernisation investment to common areas including lift car upgrades, stair windows, door entry systems and external fabric improvements.

The majority of the delivery of the 2015/16 capital investment programme is through a new Housing Asset Management framework. The new framework has had a positive impact on value for money and quality to customers, achieving savings of up to 20% on certain elements of the programme. The new framework also gives the Council more flexibility and includes performance measures enabling robust contract management.

Significant progress has also been made in delivering new homes through the 21st Century Homes programme. In 2015/16 the programme was expanded to include an additional 400 homes. The current programme is set to deliver over 1,800 new homes, with at least 1,000 of these being let as affordable homes. The programme has been a catalyst for wider regeneration and has brought the Council recognition as a successful house builder, which has been evidenced through awards.

The capital programme supports investment in current homes and neighbourhoods and funds the construction of new affordable homes. The capital programme is funded mainly through prudential borrowing; however capital receipts, capital funded from current revenue and grants (Home Energy Efficiency Programme Scotland) also contribute to capital investment.

HRA income pays for housing management services and repairs and maintenance. It also meets the cost of servicing borrowing required for capital investment. Feedback from Council tenants shows satisfaction with the overall housing service is very high with many areas of satisfaction being top quartile or above average compared to other local authorities. The results show that the Council continues to be in the top three local authorities for satisfaction with the service, the local neighbourhood and quality of homes. There has also been a 14% increase in the number of tenants who think their rent provides value for money, placing the Council above average and amongst the top performing local authorities in this area.

MANAGEMENT COMMENTARY

Financial Performance - continued

Housing Revenue Account - continued

At the end of 2015/16, the HRA was balanced after making a contribution of £2.256m to the Renewal and Repairs Fund. These funds are earmarked for future capital investment in new homes through 21st Century Homes and as a contingency to manage the impact of welfare reform. In line with the HRA business plan, an additional £10.0m of debt was paid off in-year.

Throughout 2015/16 the Council extensively consulted tenants on their priorities for future investment and rent levels to inform the rent strategy from 2016/17 onwards. Many Council tenants are experiencing real and significant financial hardship and there are not sufficient homes being built in the housing market which meet current need and demand and the challenge of a growing population. In response to this a five year investment strategy has been developed which aims to significantly increase the number of affordable homes in the city from 3,000 to 8,000 over the next ten years and invest in services that will reduce tenants' cost of living.

Capital Expenditure

Capital expenditure is controlled through the Prudential Code that provides the framework for investing in infrastructure. In Scotland, local authorities are required by regulation to comply with the Prudential Code under Part 7 of the Local Government (Scotland) Act 2003. The key objectives of the Prudential Code are to ensure that capital plans are affordable, prudent and sustainable and that treasury decisions are taken in accordance with professional guidance and best practice.

In addition, capital plans must be consistent with, and support, local strategic planning, local asset management planning and proper option appraisal.

The outturn position for capital expenditure is summarised below:

Capital expenditure	**Revised Budget 2015/16 £000**	**Actual 2015/16 £000**	**(Slippage) / Acceleration £000**
General Fund services	165,277	156,289	(8,988)
Housing Revenue Account	48,830	35,626	(13,204)
Total capital expenditure	214,107	191,915	(22,192)
Capital receipts and other contributions			
- General Fund services	(36,564)	(80,938)	(44,374)
- Housing Revenue Account	(13,782)	(10,762)	3,020
Government and other grants			
- General Fund services	(89,853)	(89,503)	350
- Housing Revenue Account	(3,780)	(8,159)	(4,379)
Total capital income	(143,979)	(189,362)	(45,383)
Balance to be funded through borrowing			
- General Fund services	38,860	(14,152)	(53,012)
- Housing Revenue Account	31,268	16,705	(14,563)
Total advances from loans fund	70,128	2,553	(67,575)

Expenditure on General Fund services slipped in total by £8.988m. The majority of slippage related to delays on the Boroughmuir High School replacement, Portobello High School replacement and Early Years improvement projects, caused by factors largely out with the Council's control. Expenditure on the Housing Revenue Account slipped by £13.204m.

Capital receipts and other contributions for General Fund Services includes settlement of a planned but unbudgeted within year receipt for the sale of the Atria totalling £91.251m. This is presented net of a transfer to the capital fund totalling £51.889m which is earmarked to fund Council transformation costs, a top up to the Strategic Investment Fund and to redeem debt.

The Council received £57.461m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Financial Performance - continued

Capital Expenditure - continued

Capital expenditure for the year totalled £191.915m. Major capital projects undertaken during the year included:

- Educational properties - £57.452m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £35.626m;
- Social housing through the housing development fund - £31.663m;
- Roads, carriageways and other infrastructure - £25.324m;
- Health and Social Care establishments - £6.531m;
- Recreational venues (including libraries, parks and open spaces) - £3.683m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £1.498m.

Group Accounts

The Council's arm's-length companies have been affected by the economic climate. A number of the companies are involved in the property market and have seen the values of their property portfolios decrease as a direct result of the current economic conditions. In June 2014 the Council agreed a restructuring of its property companies. Waterfront Edinburgh Ltd, Parc Craigmillar Ltd and Shawfair Land Ltd became wholly owned subsidiaries of the EDI Group Ltd to ensure that there is a coherent strategy across the companies and to improve corporate governance.

Net assets for 2015/16 include a combined group pension liability of £426.753m (2014/15 £749.701m), as shown in note 43.9. This reflects the inclusion of pension liabilities relating to Council, other employees, including subsidiary companies and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2016. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs, including group interests, and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer was the Head of Finance up until 5 January 2016, thereafter the Acting Executive Director of Resources.

- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).

- to approve the Annual Accounts for signature.

The Section 95 Officer's responsibilities

The Section 95 Officer is responsible for the preparation of the Authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Section 95 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Local Authority Accounting Code (insofar as it is compatible with legislation), except where stated in the Policies and Notes to the Accounts.

The Section 95 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources

10 June 2016

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and its Group members. Reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation), most of which is already earmarked and other, unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves undertaken by the Council. Group reserves are shown as either usable or unusable reserves.

2015/16	**General Fund Balance £000**	**Housing Revenue Account Balance £000**	**Renewal and Repairs Fund £000**	**Capital Receipts Reserve £000**
Balance at 31 March 2015	117,524	0	35,833	0
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	(12,904)	15,568	0	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	(12,904)	15,568	0	0
Adjustments between accounting basis and funding basis under regulations (Note 9)	12,489	(13,312)	0	(116,763)
Net (increase) / decrease before transfers to statutory reserves	(415)	2,256	0	(116,763)
Transfer (to) / from other statutory reserves (Note 10.3)	11,363	(2,256)	2,361	116,763
Increase / (decrease) in year	10,948	0	2,361	0
Balance at 31 March 2016	**128,472**	**0**	**38,194**	**0**

2015/16	**Capital Grants Unapplied Account £000**	**Capital Fund £000**	**Council's Total Usable Reserves £000**	**Group Usable Reserves £000**
Balance at 31 March 2015	4,349	31,721	189,427	10,172
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	0	0	2,664	3,665
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	0	0	2,664	3,665
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,692)	0	(119,278)	0
Net (increase) / decrease before transfers to statutory reserves	(1,692)	0	(116,614)	3,665
Transfer (to) / from other statutory reserves (Note 10.3)	0	37,072	165,303	26,783
Increase / (decrease) in year	(1,692)	37,072	48,689	30,448
Balance at 31 March 2016	**2,657**	**68,793**	**238,116**	**40,620**

MOVEMENT IN RESERVES STATEMENT

2015/16	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	199,599	1,449,087	99,107	1,747,793
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	6,329	0	0	6,329
Other Comprehensive Income and Expenditure	0	329,667	38,969	368,636
Total Comprehensive Income and Expenditure	6,329	329,667	38,969	374,965
Adjustments between accounting basis and funding basis under regulations (Note 9)	(119,278)	119,278	0	0
Net (increase) / decrease before transfers to statutory reserves	(112,949)	448,945	38,969	374,965
Transfer (to) / from other statutory reserves (Note 10.3)	192,086	(165,303)	(26,783)	0
Increase / (decrease) in year	79,137	283,642	12,186	374,965
Balance at 31 March 2016	**278,736**	**1,732,729**	**111,293**	**2,122,758**

(re-stated) 2014/15 Comparative Data	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
Balance at 31 March 2014	123,310	0	22,504	0
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	(5,004)	17,937	0	0
Other Comprehensive Income and Expenditure	0	0	0	21,479
Total Comprehensive Income and Expenditure	(5,004)	17,937	0	21,479
Adjustments between accounting basis and funding basis under regulations (Note 9)	7,629	(14,973)	0	(21,479)
Net (increase) / decrease before transfers to statutory reserves	2,625	2,964	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	(8,411)	(2,964)	13,329	0
Increase / (decrease) in year	(5,786)	0	13,329	0
Balance at 31 March 2015	**117,524**	**0**	**35,833**	**0**

MOVEMENT IN RESERVES STATEMENT

(re-stated) 2014/15 Comparative Data	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Restated Group Usable Reserves £000
Balance at 31 March 2014	1,994	22,379	170,187	23,450
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	0	0	12,933	6,458
Other Comprehensive Income and Expenditure	0	11,298	32,777	(27,719)
Total Comprehensive Income and Expenditure	0	11,298	45,710	(21,261)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,355	0	(26,468)	307
Net (increase) / decrease before transfers to statutory reserves	2,355	11,298	19,242	(20,954)
Transfer (to) / from other statutory reserves (Note 10.3)	0	(1,956)	(2)	7,676
Increase / (decrease) in year	2,355	9,342	19,240	(13,278)
Balance at 31 March 2015	**4,349**	**31,721**	**189,427**	**10,172**

(re-stated) 2014/15 Comparative Data	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2014	193,637	1,607,797	108,949	1,910,383
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	19,391	0	0	19,391
Other Comprehensive Income and Expenditure	5,058	(185,180)	(1,859)	(181,981)
Total Comprehensive Income and Expenditure	24,449	(185,180)	(1,859)	(162,590)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(26,161)	26,468	(307)	0
Net (increase) / decrease before transfers to statutory reserves	(1,712)	(158,712)	(2,166)	(162,590)
Transfer (to) / from other statutory reserves (Note 10.3)	7,674	2	(7,676)	0
Increase / (decrease) in year	5,962	(158,710)	(9,842)	(162,590)
Balance at 31 March 2015	**199,599**	**1,449,087**	**99,107**	**1,747,793**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2016

(re-stated) 2014/15 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
340,451	Education Services		381,296	(25,505)	355,791
0	Contribution to Health Integration Joint Board		56	(45)	11
323,248	Social Work		400,017	(78,750)	321,267
(33,291)	Housing Revenue Account		83,864	(110,584)	(26,720)
30,314	Other Housing Services		299,979	(268,416)	31,563
49,113	Cultural and Related Services		59,850	(17,712)	42,138
72,290	Environmental Services		107,211	(28,548)	78,663
63,523	Roads and Transport		259,913	(192,978)	66,935
27,259	Planning and Development		59,682	(33,708)	25,974
13,540	Corporate and Democratic Core		13,470	(964)	12,506
18,600	Non-Distributed Costs		20,049	0	20,049
7,584	Services to the Public		24,528	(16,945)	7,583
10,040	Other Income and Expenditure		84,996	(69,938)	15,058
1,858	Associates and Joint Ventures Accounted for on an Equity Basis		21,463	(18,712)	2,751
924,529	**COST OF SERVICES**		1,816,374	(862,805)	953,569
(4,807)	Other Operating Income	11.			(37,109)
92,003	Financing and Investment Income and Exp.	12.			106,863
(1,031,116)	Taxation and Non-Specific Grant Income	13.			(1,029,652)
(19,391)	**SURPLUS ON PROVISION OF SERVICES**				(6,329)
(19,070)	Deficit / (Surplus) on Revaluation of Non-Current Assets			2,294	
(204,649)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(37,286)	
361,397	Changes in Financial and Demographic Assumptions / Other Experience			(285,852)	
44,303	Other Unrealised (Gains) / Losses			(47,792)	
181,981	Other Comprehensive Income and Expend.				(368,636)
162,590	**TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE**				(374,965)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing Council services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2016

(re-stated) 2014/15			Gross Expend.	Income	Net Expend.
£000	**SERVICES**	**Notes**	**£000**	**£000**	**£000**
340,451	Education Services		381,296	(25,505)	355,791
0	Contribution to Health Integration Joint Board		56	(45)	11
323,248	Social Work		400,017	(78,750)	321,267
(33,291)	Housing Revenue Account		83,864	(110,584)	(26,720)
30,314	Other Housing Services		299,979	(268,416)	31,563
50,870	Cultural and Related Services		55,508	(11,133)	44,375
72,290	Environmental Services		107,211	(28,548)	78,663
70,815	Roads and Transport		124,219	(49,882)	74,337
32,695	Planning and Development		55,626	(27,241)	28,385
13,540	Corporate and Democratic Core		13,470	(964)	12,506
18,600	Non-Distributed Costs		20,049	0	20,049
7,584	Services to the Public		24,528	(16,945)	7,583
5,133	Other Income and Expenditure		80,171	(69,396)	10,775
932,249	**COST OF SERVICES**		1,645,994	(687,409)	958,585
(4,716)	Other Operating Income	11.			(37,258)
92,328	Financing and Investment Income and Exp.	12.			108,331
(1,032,794)	Taxation and Non-Specific Grant Income	13.			(1,032,322)
(12,933)	**SURPLUS ON PROVISION OF SERVICES**				(2,664)
(19,070)	Deficit / (Surplus) on Revaluation of Non-Current Assets			2,294	
(204,649)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(37,286)	
361,397	Changes in Financial and Demographic Assumptions / Other Experience			(285,852)	
14,725	Other Unrealised Losses			(8,823)	
152,403	Other Comprehensive Income and Expend.				(329,667)
139,470	**TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE**				(332,331)

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		**£000**
139,470	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(332,331)
829	Subsidiary and associate transactions included in the Council's CIES	(761)
15,161	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(37,673)
7,130	Associates	(4,200)
162,590	Group total Comprehensive (Income) / Expenditure for the year	(374,965)

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold.

(re-stated) 31 March 2015 £000		**Notes**	**31 March 2016 £000**	**£000**
4,954	Intangible Assets	16.		3,665
1,029,558	Council Dwellings		1,030,623	
1,732,117	Other Land and Buildings		1,615,966	
178,127	Vehicles, Plant, Furniture and Equipment		177,743	
912,496	Infrastructure Assets		872,920	
12,192	Community Assets		12,964	
12,624	Surplus Assets		2,420	
50,330	Assets under Construction		89,688	
3,927,444	**Property, Plant and Equipment**	14.		3,802,324
16,304	Investment Properties	15.		17,450
31,075	Heritage Assets	17.		31,116
21,179	Assets Held for Sale	22.		43,746
794	Available for Sale Financial Assets			733
297	Deferred Tax			202
0	Other Long-Term Assets (Pension)			17,936
11,553	Long-Term Investments			11,516
33,771	Investments in Associates and Joint Ventures			32,315
115,039	Long-Term Debtors	20.		91,707
4,162,410	**Long-Term Assets**			4,052,710
0	Short-Term Investments		13,022	
8,503	Assets Held for Sale	22.	5,721	
0	Available for Sale Financial Assets	18.	64,311	
12,057	Inventories	19.	17,661	
83,370	Short-Term Debtors	20.	95,830	
95,504	Cash and Cash Equivalents	21.	118,712	
199,434	**Current Assets**			315,257
(77,787)	Short-Term Borrowing		(87,321)	
(180,107)	Short-Term Creditors	23.	(174,601)	
(1,340)	Capital Grants Received in Advance		0	
(19,770)	Provisions	24.	(13,004)	
(279,004)	**Current Liabilities**			(274,926)

GROUP BALANCE SHEET

(re-stated) 31 March 2015 £000		Notes	31 March 2016 £000	£000
(1,351,473)	Long-Term Borrowing		(1,298,248)	
(232,435)	Other Long-Term Liabilities		(219,947)	
(3,467)	Deferred Tax		(9,072)	
(8,723)	Liabilities in Associates and Joint Ventures		(3,066)	
(738,949)	Other Long-Term Liabilities (Pensions)		(439,950)	
(2,335,047)	**Long-Term Liabilities**			(1,970,283)
1,747,793	**Net Assets**			**2,122,758**
905,886	Revaluation Reserve		861,308	
1,340,067	Capital Adjustment Account		1,372,435	
(49,159)	Financial Instruments Adjustment Account		(47,214)	
0	Available for Sale Financial Assets Reserve		2	
(726,969)	Pensions Reserve		(438,940)	
(20,738)	Employee Statutory Adjustment Account		(14,862)	
99,107	Group Unusable Reserves		111,293	
1,548,194	**Unusable Reserves**	26.		1,844,022
4,349	Capital Grants Unapplied Account		2,657	
31,721	Capital Fund		68,793	
35,833	Renewal and Repairs Fund		38,194	
117,524	General Fund		128,472	
10,172	Group Usable Reserves		40,620	
199,599	**Usable Reserves**	10.		278,736
1,747,793	**Total Reserves**			**2,122,758**

The unaudited accounts were issued on 24 June 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
10 June 2016

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

(re-stated) 31 March 2015 £000		**Notes**	**31 March 2016 £000**	**£000**
4,954	Intangible Assets	16.		3,665
1,029,558	Council Dwellings		1,030,623	
1,704,462	Other Land and Buildings		1,583,123	
104,027	Vehicles, Plant, Furniture and Equipment		105,961	
911,161	Infrastructure Assets		871,874	
12,192	Community Assets		12,964	
12,624	Surplus Assets		2,420	
50,330	Assets under Construction		89,688	
3,824,354	**Property, Plant and Equipment**	14.		3,696,653
16,104	Investment Properties	15.		17,250
31,075	Heritage Assets	17.		31,116
21,179	Assets Held for Sale	22.		43,746
23,510	Long-Term Investments			23,474
118,539	Long-Term Debtors	20.		96,333
4,039,715	**Long-Term Assets**			3,912,237
0	Short-Term Investments		13,022	
8,503	Assets Held for Sale	22.	5,721	
0	Available for Sale Financial Assets	18.	64,311	
2,749	Inventories	19.	2,699	
70,181	Short-Term Debtors	20.	85,700	
81,948	Cash and Cash Equivalents	21.	97,991	
163,381	**Current Assets**			269,444
(79,287)	Short-Term Borrowing		(87,321)	
(151,446)	Short-Term Creditors	23.	(148,017)	
(1,340)	Capital Grants Received in Advance		0	
(17,994)	Provisions	24.	(11,532)	
(250,067)	**Current Liabilities**			(246,870)

BALANCE SHEET

(re-stated) 31 March 2015			31 March 2016	
£000		Notes	£000	£000
(1,360,607)	Long-Term Borrowing	18.	(1,308,889)	
(226,939)	Other Long-Term Liabilities	18.	(216,137)	
(726,969)	Other Long-Term Liabilities (Pensions)	43.3	(438,940)	
(2,314,515)	**Long-Term Liabilities**			(1,963,966)
1,638,514	**Net Assets**			**1,970,845**
905,886	Revaluation Reserve		861,308	
1,340,067	Capital Adjustment Account		1,372,435	
(49,159)	Financial Instruments Adjustment Account		(47,214)	
0	Available for Sale Financial Assets Reserve		2	
(726,969)	Pensions Reserve		(438,940)	
(20,738)	Employee Statutory Adjustment Account		(14,862)	
1,449,087	**Unusable Reserves**	26.		1,732,729
4,349	Capital Grants Unapplied Account		2,657	
31,721	Capital Fund		68,793	
35,833	Renewal and Repairs Fund		38,194	
117,524	General Fund		128,472	
189,427	**Usable Reserves**	10.		238,116
1,638,514	**Total Reserves**			**1,970,845**

The unaudited accounts were issued on 24 June 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
10 June 2016

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Year ended 31 March 2016

(re-stated) 2014/15 £000		**Notes**	**£000**	**£000**
	Operating Activities			
(216,370)	Taxation		(215,976)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(543,907)	Sales of goods and rendering of services		(558,179)	
(10,978)	Interest and investment income received	27.	(7,061)	
(1,936,697)	Cash inflows from operating activities			(1,931,169)
647,531	Cash paid to and on behalf of employees		579,077	
202,498	Housing benefits paid out		200,635	
750,202	Cash paid to suppliers of goods and services		847,039	
3,546	Taxation paid		2,245	
95,936	Interest paid	27.	97,540	
1,699,713	Cash outflows from operating activities			1,726,536
(236,984)	Net cash flows from operating activities			(204,633)
	Investing Activities			
183,102	Net cash flows from investing activities	28.		133,573
	Financing Activities			
(4,155)	Net cash flows from financing activities	29.		47,852
(58,037)	Net decrease / (increase) in cash and cash equivalents			(23,208)
(37,467)	Cash and cash equivalents at 1 April			(95,504)
(95,504)	Cash and cash equivalents at 31 March	21.		(118,712)

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Year ended 31 March 2016

2014/15 £000		**Notes**	**£000**	**£000**
	Operating Activities			
(216,284)	Taxation		(216,461)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(387,101)	Sales of goods and rendering of services		(394,200)	
(10,748)	Interest and investment income received	27.	(6,849)	
(1,779,575)	Cash inflows from operating activities			(1,767,463)
571,736	Cash paid to and on behalf of employees		582,155	
202,498	Housing benefits paid out		200,635	
694,796	Cash paid to suppliers of goods and services		699,262	
95,470	Interest paid	27.	97,072	
1,564,500	Cash outflows from operating activities			1,579,124
(215,075)	Net cash flows from operating activities			(188,339)
	Investing Activities			
159,224	Net cash flows from investing activities	28.		126,115
	Financing Activities			
(5,930)	Net cash flows from financing activities	29.		46,181
(61,781)	Net decrease / (increase) in cash and cash equivalents			(16,043)
(20,167)	Cash and cash equivalents at 1 April			(81,948)
(81,948)	Cash and cash equivalents at 31 March	21.		(97,991)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Council.

1.1 Accruals of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice.
- Provision has been made in the relevant accounts for bad and doubtful debts.

1.2 Debt Redemption

- The Council operates a consolidated loans fund under the terms of the Local Government (Scotland) Act 1975. Capital payments made by services are financed from the loans fund and repaid on an annuity basis.
- Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing is taken with a refinancing or restructuring option, gains or losses are recognised over the life of the replacement borrowing.

1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

- credit and debit funds held in banks; and
- investments maturing within three months of the Balance Sheet date in respect of the Council and two months of the Balance Sheet date in respect of other Group members.

1.4 Contingent Assets and Liabilities

Contingent assets are not recognised in the accounting statements. Where there is a probable inflow of economic benefits or service potential, this is disclosed in the notes to the financial statements.

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefit, this is disclosed in the notes to the financial statements.

1.5 Provisions

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

1.6 Employee Benefits

- **Accruals of Holiday Leave**

  'Cost of services' within the Comprehensive Income and Expenditure Statement includes a charge for annual leave to which employees are entitled, but have not taken, as at the Balance Sheet date.

  The Council is not required to raise Council Tax to cover the cost of accrued annual leave. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account balances by way of an adjusting transaction with the employee statutory adjustment account.

- **Pensions**

  The Council participates in two different pension schemes which meet the needs of employees in particular services. Both the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

  - **Teachers**

    This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension cost charged in the accounts is the contribution rate set on the basis of a notional fund.

  - **Other Employees**

    Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Employee Benefits - continued

- **Pensions - continued**
  - **Other Employees - continued**

    The Financial Statements have been prepared including pension costs as determined under International Accounting Standard 19 - Employee Benefits (IAS19). The cost of services includes expenditure equivalent to the amount of retirement benefits the Council has committed to during the year. The interest cost on defined benefit obligation and interest income on plan assets have been charged / credited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.

    The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations is disclosed in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

    Pension assets have been valued at bid value (purchase price), as required under IAS19.

    Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

1.7 Financial Instruments

- **Financial Liabilities**

  Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement (CIES) is the amount payable for the year in the loan agreement.

  Gains and losses on the repurchase or early settlement of borrowing are credited and debited to surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

  Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement for the General Fund Balance.

- **Financial Assets**

  Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

  However, the Council may make loans to related parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the related party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. For soft loans to subsidiary bodies, the writedown is accounted for as an additional investment in the subsidiary in the Council's Group Accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.7 Financial Instruments - continued

- **Financial Assets - continued**

  Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

  Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

  Surplus funds on behalf of the Council and associated bodies and cash monies of Lothian Pension Funds are now managed by the Council under a formal management agreement in a pooled investment arrangement. While the monies continue to be shown as investments in Lothian Pension Funds' accounts, they are no longer shown as both liabilities and investments in the Council's accounts.

- **Available-for-Sale-Financial Instruments**

  The Council has a significant financial interest in several companies and trusts which have been set up for specific purposes. Details of these appear in note 7 to the Financial Statements. These financial interests have been assessed under the requirements of IAS39 Financial Instruments: Measurement.

  The Council's investments in Transport for Edinburgh, CEC Holdings Limited and CEC Recovery Limited (formerly tie Limited) have been assessed as outwith the scope of IAS39.

  Unless otherwise stated, the accounts of these companies may be obtained on application to the Corporate Finance Senior Manager, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

1.8 Government and non-Government Grants and Contributions

- **Revenue**

  Revenue grants and contributions have been included in the financial statements on an accruals basis.

  Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

  Capital

  Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

  Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred and the unapplied capital grants account where expenditure has not been incurred.

  Where there are outstanding conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

1.9 Intangible Assets

Intangible fixed assets represent software licences purchased by the Council.

- **Recognition**

  Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

- **Measurement**

  Intangible fixed assets are initially measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Intangible Assets - continued

- **Depreciation**
  Software licences are depreciated over the period of the licence, commencing in the year after acquisition.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

1.11 Investment Properties

- **Measurement**
  Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value (the price that would be received for the asset in its highest and best use).

  Any gains or losses arising from a change in the fair value of investment properties are recognised in the Comprehensive Income and Expenditure Statement for the period in which they arise.

- **Revaluation**
  Investment properties are revalued annually.

- **Depreciation**
  Investment properties held at fair value are not depreciated.

- **De-recognition**
  Investment properties are de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

  The gain or loss arising from the retirement or disposal of an investment property is recognised in the 'surplus or deficit on provision of services' within the Comprehensive Income and Expenditure Statement in the period of the retirement or disposal.

1.12 Leases

- **Finance Leases**
  Finance leases, which have substantially transferred to the authority the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

  - **Leased-in Assets**
    Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors.

  - **Leased-in Assets - continued**
    The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

- **Operating Leases**
  Leases that do not meet the definition of a finance lease are accounted for as operating leases.

  - **Leased-in Assets**
    Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.12 Leases - continued

- **Operating Leases - continued**

  - **Leased-out Assets**
    Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

1.13 Current and Non-Current Assets Held for Sale

Current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

- **Measurement**
  Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

- **Depreciation**
  Current and non-current assets held for sale are not depreciated.

1.14 Overheads

The costs of support services are allocated to direct services. The allocations are made on a basis appropriate to the service provided, in order to match costs to service usage. Certain support service costs are recovered through direct charges during the year.

1.15 Public Private Partnership - School Buildings, Maintenance and Other Facilities

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the non-current assets required to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under this scheme and as ownership of the schools and other facilities will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on its Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other assets owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year - debited to education services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 8.968% (PPP1 scheme), 5.895% (PPP2 scheme) and 8.236% (James Gillespies High School - JGHS) on the outstanding balance sheet liability - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Fair Value measurement - surplus assets and investment properties

Surplus assets, investment properties and relevant financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In measuring the fair value, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

Appropriate valuation techniques have been applied, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

1.17 Heritage Assets

- **Categories of Assets**
  Heritage assets comprise the following:

  Monuments and statues

  Civic regalia and artefacts

  Archival collections

  Libraries special collections

  Museum and gallery collections

  Intangible heritage assets represent three private vehicle registration plates.

  It has not been practical or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities.

- **Recognition**
  Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

1. Accounting Policies - continued

1.18 Property, Plant and Equipment

- **Categories of Assets**
  Property, plant and equipment is categorised into the following classes:

Council dwellings	Other land and buildings
Vehicles, plant, furniture and equipment	Infrastructure assets, e.g. roads and footways
Community assets, e.g. parks	Assets under construction
Surplus assets (assets that are surplus to requirements, but there are no clear plans to sell these at the current time.)	

- **Recognition**
  Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis. Expenditure lower than £6,000 on individual assets is charged to revenue.

- **Measurement**
  Infrastructure, community assets and assets under construction are measured at historical cost.

  All other classes of property, plant and equipment are measured at fair value.

  - Other land and buildings - fair value is the amount that would be paid for the assets in their existing use.
  - Council dwellings - fair value is measured at existing use value - social housing.
  - Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost for short life and/or low values assets. For assets with longer lives and/or high values, fair value is the amount that would be paid for the asset in its existing use or depreciated replacement cost for specialised /rarely sold assets where insufficient market-based evidence exists.
  - Surplus assets - fair value is the price that would be paid for an asset in its highest and best use

- **Depreciation**
  Depreciation is provided on all property, plant and equipment, other than freehold land, community assets and assets under construction.

  The Council does not depreciate its non-current assets in the year of acquisition. The Council operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight line basis on the opening book value over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is not impacted by changes in asset value during the year arising from either revaluation or enhancements.

  Component accounting is applied as part of the revaluation process. As a result, where a building asset is split down into further components for the first time in year, the depreciation charge is based on the opening book value over the opening remaining useful life of the asset rather than subsequent component values and associated lives. The difference is not considered material.

- **Charges to Revenue for use of Non-Current Assets**
  Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

  - depreciation attributable to the assets used by the relevant service.
  - impairment losses attributable to the clear consumption of economic benefits on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

The Council is not required to raise council tax to cover depreciation or impairment losses. Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

- **Revaluations**
  Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Estate Manager (Projects).

- **De-recognition**
  An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in 'surplus or deficit on the provision of services' within the Comprehensive Income and Expenditure Statement when the asset is de-recognised.

  The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

- **Components**
  Component accounting is applied to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately.

  The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million approximately. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

  Where it is necessary to break a building down into further components, the following categories are applied:

  - Structural - includes external and internal walls, traditional roofing, doors, etc.
  - Non traditional roofing - includes flat roof, non-traditional roof coverings and industrial type roofs.
  - Finishes - includes doors, windows and room finishes.
  - Mechanical and electrical services - includes water, heat, ventilation, electrical, lifts, fire and communications.
  - Fittings and furnishings - includes fittings, furnishings and sanitary appliances.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Heritage assets - continued

- **Measurement**

  Heritage asset valuations may be made by any method that is appropriate and relevant. Furthermore valuations need not be carried out by external valuers and there is no prescribed minimum period between valuations.

  The following measurement bases have been applied to heritage assets based on the most relevant and appropriate information available. This is set in the context where it is not practicable to obtain up to date valuations for all heritage assets at a cost which is commensurate with the benefits to users of the Council's financial statements.

● Monuments and statues	Historic value
● Civic regalia and artefacts	Insurance purposes valuation
● Archival collections	Insurance purposes valuation, based on restoration costs only
● Libraries special collections	Insurance purposes valuation
● Museum and gallery collections	Insurance purposes valuation
● Private vehicle registration plates	Cost or current value information is not readily available, therefore these assets have not been recognised on the Council's Balance Sheet

- **Depreciation**

  Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

1.19 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax. Unusable reserves cannot be applied to fund expenditure.

- **Usable Reserves**

  The Council operates the following usable reserves:

  - Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
  - Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
  - Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
  - Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
  - General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.19 Reserves - continued

- **Unusable Reserves**

  The Council operates the following unusable reserves:

  - Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
  - Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
  - Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
  - Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
  - Pension reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003.
  - Employee statutory adjustment account - represents the net monies which the Council requires to meet its short-term compensated absences for employees under IAS19.

1.20 Revenue Expenditure Funded from Capital Under Statute

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'net cost of services' in the Comprehensive Income and Expenditure Statement.

These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

1.21 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is not recoverable from HM Revenue and Customs.

1.22 Group Account Consolidation

IFRS 10, 'Consolidated Financial Statements', was issued in August 2011 and replaces the guidance on control and consolidation in IAS 27, 'Consolidated and Separate Financial Statements', and in SIC 12, 'Consolidation - Special Purpose Entities', along with other related code changes.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under IFRS 10 than under IAS 27. No differences were found.

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
  - Subsidiaries - line-by-line basis;
  - Associates - equity method.
- Transport for Edinburgh Limited's and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March), no consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals basis, with the exception of the International Conference Centre Income Trust and International Conference Centre Expenditure Trust, which have been prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards that have been Issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee benefits (Defined benefit plans - employee contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IFRS 11 Joint Arrangements
- Amendments to IAS 16 Property, Plant and Equipment and IAS 39 Intangible Assets
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Fund Account and the Net Assets Statement
- Change of accounting policy for the Highways Network Asset

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 financial statements.

Overall, the majority of these new or amended standards are not expected to have a significant impact on the financial statements. The adoption of amendments to IAS 1 and changes to the format of the Fund Account and the Net Assets Statement represent a change in accounting policy which may require the restatement of the Balance Sheet at the beginning of the preceding period in the 2016/17 financial statements, if the changes are material. The adoption of changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves and the new Expenditure and Funding Analysis represent a change of accounting policy that will require the publication of a restated Balance Sheet at the beginning of the preceding period in the 2016/17 financial statements.

3. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 to the Financial Statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant judgements made in these Financial Statements are detailed below:

3.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) and the Design, Build, Finance and Maintain (DBFM) for James Gillespies High School, for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2) and Hub South East Scotland (JGHS).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £561.529m at 31 March 2016) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. Full details of these interests are shown in note 7 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The following table details uncertainties on assumptions and estimates, and outlines the potential effect if actual results differ from the assumptions made.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £9.347m for each year that useful lives were reduced.
Long-Term Contracts	The Council's approved budget provides for inflationary uplifts on long-term contracts.	If inflation were to increase by 1%, this would result in an additional cost of £0.560m per annum.
Provisions	The Council has made a provision of £0.568m in respect of the remainder of anticipated equal pay settlements. This is based on the number of potential claimants and assumes similar settlement terms to those achieved previously. There is uncertainty surrounding both of these assumptions.”	Should the settlement values increase by 10% this would have the effect of adding £0.057m to the provision required.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.
Arrears	At 31 March, the Council had a balance of sundry debtors of £32.217m. A review of significant balances suggested that an impairment of doubtful debts of £4.984m (15.5%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.611m to be set aside as an allowance.
VAT Recovery Status	The Council's accounts are prepared on the assumption that VAT charged on its purchases is fully recoverable and that it will not become partially exempt.	If the Council were to exceed its 5% de minimis level, a minimum repayment of £4.049m would be due to HM Revenue and Customs.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Council Tax Arrears	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. The Council currently assumes that 96.82% of Council Tax will be collected. An impairment for doubtful debts of £7.956m has been provided for in respect of sums due in the year. In the current economic climate it is not certain that this would be sufficient.	If collection rates were to deteriorate by 1%, the amount to be impaired would require an additional £2.502m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.779m. A review of significant balances suggested that an impairment of doubtful debts of £5.399m (79.6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There has been a significant increase in arrears and the impairment set aside, which should help protect against additional welfare reforms such as Universal Credit and the reduction in the benefits cap announced in the UK government's budget which will potentially impact on the level of rent arrears.
Council Dwellings - Housing Stock	Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied is 48%.	If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £19.372m. If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.372m.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

5. Material Items of Income and Expense

The Council used £20.942m of general fund underspends, income surpluses and reserves to fund staff release costs arising during the year. The effect of this is included within the Comprehensive Income and Expenditure Statement.

6. Events After the Balance Sheet Date

A revaluation of the Lauriston Castle collection commenced in January 2016. It is likely there will be a significant increase in value of these assets, which will be reflected in the City of Edinburgh Charitable Trusts statements. Figures were not available for inclusion in the unaudited accounts.

17 schools within the PPP1 contract were closed in April 2016 due to findings of property surveys undertaken as a consequence of a wall collapse at Oxgangs Primary School. It is anticipated that remedial work undertaken and the costs of transferring pupils to other locations will be at no cost to the Council.

7. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Subsidiaries:	Shareholding	
● CEC Holdings Limited	100.00%	
● Transport for Edinburgh Limited	100.00%	
Associates:		
● Edinburgh Leisure	33.33%	Board representation
● Festival City Theatres Trust	33.33%	Board representation
● Lothian Valuation Joint Board	61.22%	Funding percentage
● Common Good	100.00%	

Trusts:
- International Conference Centre Income Trust
- International Conference Centre Expenditure Trust

The following companies are not consolidated into the Group Accounts. An assessment has been carried out on these companies, their activities and the level of Council control. These companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

	Shareholding	
● Capital City Partnership Limited	100.00%	
● CEC Recovery Limited (formerly tie Limited)	100.00%	
● Marketing Edinburgh Limited	100.00%	
● LPFE Limited	100.00%	
● Edinburgh Integration Joint Board	50.00%	Board representation

Unless otherwise stated, the accounts of the companies may be obtained on application to the Corporate Finance Senior Manager, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.1 Subsidiary Companies

- **Capital City Partnership**

The company is a private company limited by guarantee and is a charitable organisation. The Council became the sole member of the company in January 2012.

The principal activities of the company are to promote community regeneration, by bringing together key statutory, voluntary, community and private sector bodies.

The most recent unaudited results of the company are as follows:	**31.03.16**	**31.03.15**
	£000	**£000**
Net assets	1,149	858
Net (profit) / loss before taxation	180	(41)
Retained profit carried forward	567	243

- **CEC Holdings Limited**

The principal activities of the company are property development and the operation of an international conference centre. The company is wholly owned by the City of Edinburgh Council.

The most recent unaudited results of the company are as follows:	**31.12.15**	**31.12.14**
	£000	**£000**
Net assets	16,292	17,920
Net (profit) / loss before taxation	(99)	(415)
Retained loss carried forward	(51,209)	(51,716)

The Council inherited its interest in CEC Holdings Limited following the local government reorganisation in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

- **CEC Recovery Limited *(formerly tie Limited)***

The principal activity of the company was previously the promotion, development, procurement, project management and implementation of certain nominated projects. The company did not actively trade in the year to 31 March 2016 and is actively pursuing the transferral of project documentation to Transport Scotland. The company changed its name from tie Limited to CEC Recovery Limited on 13 May 2013.

The City of Edinburgh Council owns 100% (1,000 shares) of the issued share capital through Transport Edinburgh Limited (a dormant company), the immediate parent company of CEC Recovery Limited. The most recent unaudited results of the company are as follows.

	31.03.16	**31.03.15**
	£000	**£000**
Net assets	0	0
Net deficit before taxation	0	0
Retained loss carried forward	(1)	(1)

- **LPFE Limited**

The company was incorporated on 11 February 2015 and commenced trading on 1 May 2015.

The principal activity of the company is the provision of staff to the City of Edinburgh Council and LPFI Limited in support of the administration of Pension Funds. All pension funds are part of the Local Government Pension Scheme in Scotland.

	14 months to
The first unaudited results of the company are as follows:	**31.03.16**
	£000
Net assets	(142)
Net (profit) / loss before taxation	142
Retained loss carried forward	(142)

7. Subsidiaries and Associates - continued

7.1 Subsidiary Companies - continued

- **Marketing Edinburgh Limited**

The company is a private company limited by guarantee. The Council is the sole member.

The principal activities of the company are to increase economic activity within the Edinburgh area by promoting it as a destination to live, work, study, etc.

The most recent unaudited results of the company are as follows:	31.03.16 £000	31.03.15 £000
Net assets	272	262
Net (profit) / loss before taxation	(13)	41
Retained profit carried forward	272	259

- **Transport for Edinburgh Limited**

The principal activities of the company are as a holding company for the City of Edinburgh Council's interest in public transport companies; Lothian Buses Limited and Edinburgh Trams Limited. The company is wholly owned by the City of Edinburgh Council.

The Council's major shareholding in Lothian Buses of 5,824,139 (91.01%) £1 ordinary shares (fully paid) was transferred to Transport for Edinburgh Limited in 2014.

The Council inherited its interest in Lothian Buses Limited, following the reorganisation of local government in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

Edinburgh Trams Limited commenced a fare paying revenue service on 31 May 2014.

The most recent audited results of the company are as follows:

	31.12.15 £000	31.12.14 £000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	99,395	61,825
Net (profit) / loss before taxation	(8,936)	(9,579)
Retained earnings	18,320	(11,136)
Dividend paid	4,925	5,000

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Associates

- **Edinburgh Leisure**

This is a non-profit-distributing company limited by guarantee and registered as a Charity. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

The principal activity of the company is the provision of recreation and leisure facilities.

The City of Edinburgh Council is represented on the company's Board of Directors and contributes a substantial sum to the company towards the cost of operating sport and leisure facilities.

The City of Edinburgh Council leases its sport and leisure centres to the company.

The most recent unaudited results of the company are as follows:	**31.03.16**	**31.03.15**
	£000	**£000**
Net assets / (liabilities)	657	(6,440)
Net operating (profit) / loss	1,524	(968)
Earnings / (Losses) carried forward	657	(6,440)

Although Edinburgh Leisure is included in the Group Accounts, as the nature of its activities is a core part of Council policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of Edinburgh Leisure, based on 33.33% (2014/15 33.33%) Board Representation, is as follows:

	31.03.16	**31.03.15**
	£000	**£000**
Incoming resources	(9,826)	(10,092)
Net (profit) / loss	(2,365)	868
Net assets / (liabilities)	219	(2,146)
Total usable reserves	219	(2,146)

- **Festival City Theatres Trust**

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

The most recent audited results of the company are as follows:	**31.03.16**	**31.03.15**
	£000	**£000**
Net assets	3,734	4,179
Net operational outgoing resources	597	197
Fund balances carried forward	3,734	4,179

Although Festival City Theatres Trust is included in the Group Accounts, due to the nature of its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of the Festival City Theatres Trust, based on 33.33% (2014/15 33.33%) Board representation, is as follows:

	31.03.16	**31.03.15**
	£000	**£000**
Incoming resources	(3,653)	(3,645)
Net outgoing resources	148	89
Net assets	1,245	1,393
Total usable reserves	1,245	1,393

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued
7.2 Associates - continued

- **Lothian Valuation Joint Board**

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

The group share of the results of the Lothian Valuation Joint Board, based on a 61.22% (2014/15 61.22%) funding percentage is as follows:

	31.03.16 £000	Restated 31.03.15 £000
Funding - requisitions	(3,746)	(3,742)
Other income	(1,312)	(1,398)
Total income	(5,058)	(5,140)
Deficit for the year	382	200
Net liabilities	(3,066)	(6,576)
Usable reserves		0
Unusable reserves	(3,066)	(6,576)
Total reserves	(3,066)	(6,576)

- **Edinburgh Integration Joint Board**

The Edinburgh Integration Joint Board (EIJB) was established by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. The Annual Accounts of EIJB are for the period from 27 June 2015 to 31 March 2016.

The Board comprises 10 voting members, made up of five elected members appointed by the City of Edinburgh Council and five NHS non-executvie directors appointed by NHS Lothian, along with a number of non voting members.

The expenditure incurred by the EIJB is covered in full by income received from the partner bodies, NHS Lothian and the City of Edinburgh Council. EIJB will therefore commission services from the parent bodies based on the approved strategic plan.

The first unaudited results of the company are as follows:	10 months to **31.03.16** **£000**
Gross expenditure	107
Gross income	(107)
Current assets	57
Current liabilities	(57)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

7.4 Shareholder Support to Council Companies

A number of companies within the group are currently dependent on the continued financial support of the Council. The companies are EICC Limited, a subsidiary of CEC Holdings Limited - (the Council owns 100% of the shares in CEC Holdings Limited), Festival City Theatres Trust and Edinburgh Leisure.

7.5 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £151.913m (2014/15 £109.279m re-stated) representing the Council's share of the realisable surpluses or deficits in these companies.

8. Trusts

- **International Conference Centre Expenditure Trust**

  This Trust was set up to hold funds provided by the Council for its development of the Edinburgh International Conference Centre. The balance of unexpended funds held at 31 March 2016 was £4.183m (31 March 2015 £4.153m).

  The Expenditure Trust received interest of £0.03m.

  £0.479m transferred from the Income Trust noted below was transferred to the Council to defray the development and running costs of the new additional function space. Payments were also made to the EICC Limited for construction services (£0.072m) and for funding support (£0.600m).

- **International Conference Centre Income Trust**

  This Trust was set up to hold funds received from the sale of land at the Edinburgh International Conference Centre site, pending their use for development and other costs of the centre. The balance of unexpended funds held at 31 March 2016 was £2.398m (31 March 2015 £3.551m).

  Funds in the Income Trust have reduced by £1.153m during the year, relating to the transfer, noted above, to the International Conference Centre Expenditure Trust and management fees of £0.013m. The Income Trust received interest of £0.011m.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

	Usable Reserves		
2015/16	**General Fund Balance £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	154,075	23,285	0
Movements in the market value of investment properties	(1,146)	0	0
Amortisation and impairment of intangible assets	1,289	0	0
Capital grants and contributions applied	(63,094)	(7,439)	0
Capital funded from revenue	(215)	0	0
Revenue expenditure funded from capital under statute	38,846	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(70,297)	(27,328)	0
Capital expenditure charged against General Fund and HRA balances	(38,846)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(35,011)	(2,247)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(116,763)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,440)	(488)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	104,720	2,676	0
Employer's pension contributions and direct payments to pensioners payable in the year	(70,594)	(1,693)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,798)	(78)	0
Total Adjustments	12,489	(13,312)	(116,763)

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2015/16	Usable Reserves: Capital Grants Unapplied Account £000	Usable Reserves: Capital Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(177,360)
Movements in the market value of investment properties	0	0	1,146
Amortisation of intangible assets	0	0	(1,289)
Capital grants and contributions applied	1,593	0	68,940
Capital funded from revenue	0	0	215
Revenue expenditure funded from capital under statute	0	0	(38,846)
Insertion of items not debited or credited to the CIES	0	0	
Statutory provision for the financing of capital investment	0	0	97,625
Capital expenditure charged against General Fund and HRA balances	0	0	38,846
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,285)	0	3,285
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	37,258
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	116,763
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,928
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(107,396)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	72,287
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,876
Total Adjustments	(1,692)	0	119,278

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

	Usable Reserves		
2014/15 Comparative Data	**General Fund Balance £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	133,556	18,266	0
Movements in the market value of investment properties	(13,889)	0	0
Amortisation of intangible assets	710	0	0
Capital grants and contributions applied	(64,652)	(4,747)	0
Capital funded from revenue	(25)	(5,649)	0
Revenue expenditure funded from capital under statute	32,641	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(70,285)	(23,123)	0
Capital expenditure charged against General Fund and HRA balances	(32,641)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(5,023)	307	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,479)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,434)	(460)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	95,001	1,081	0
Employer's pension contributions and direct payments to pensioners payable in the year	(60,933)	(426)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,397)	(222)	0
Total Adjustments	7,629	(14,973)	(21,479)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2014/15 Comparative Data	Usable Reserves Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(151,822)
Movements in the market value of investment properties	0	0	13,889
Amortisation of intangible assets	0	0	(710)
Capital grants and contributions applied	3,298	0	66,101
Capital funded from revenue	0	0	5,674
Revenue expenditure funded from capital under statute	0	0	(32,641)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	93,408
Capital expenditure charged against General Fund and HRA balances	0	0	32,641
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(943)	0	943
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	4,716
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,479
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,894
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	61,359
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,619
Total Adjustments	2,355	0	26,468

10. Usable Reserves

10.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year. Comparative data is included for 2014/15 which has been restated.

Group Reserves	Balance at 01.04.15 £000	Net Transfers Out 2015/16 £000	Net Transfers In 2015/16 £000	Balance at 31.03.16 £000
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,715)	0	557	(51,158)
Capital grants unapplied account	3,213	(484)	0	2,729
Transport for Edinburgh Limited				
Revenue reserves	48,523	0	29,726	78,249
Total Usable Reserves - Subsidiaries	**21**	**(484)**	**30,283**	**29,820**
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	2,836	(539)	0	2,297
Edinburgh Leisure				
Earmarked revenue reserve	576	(402)	0	174
Revenue reserves	(2,722)	0	2,766	44
International Conference Centre Trusts				
Income Trust	3,551	(1,153)	0	2,398
Expenditure Trust	4,153	0	30	4,183
Festival City Theatres Trust				
Earmarked capital reserve	1,457	(255)	0	1,202
Revenue reserves	(64)	0	107	43
Lothian Valuation Joint Board				
Revenue reserves	364	0	95	459
Total Usable Reserves - Associates and Joint Ventures	**10,151**	**(2,349)**	**2,998**	**10,800**
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	**10,172**	**(2,833)**	**33,281**	**40,620**

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Re-stated Net Transfers Out 2014/15 £000	Net Transfers In 2014/15 £000	Balance at 31.03.15 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(54,951)		3,236	(51,715)
Capital grants unapplied account	3,632	(419)	0	3,213
Transport for Edinburgh				
Revenue reserves	61,852	(13,329)	0	48,523
Total Usable Reserves - Subsidiaries	**10,533**	**(13,748)**	**3,236**	**21**
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	1,651	0	1,185	2,836
Edinburgh Leisure				
Earmarked revenue reserve	419	0	157	576
Revenue reserves	(1,697)	(1,025)	0	(2,722)
International Conference Centre Trusts				
Income Trust	4,915	(1,364)	0	3,551
Expenditure Trust	5,890	(3,101)	1,364	4,153
Festival City Theatres Trust				
Earmarked capital reserve	1,606	(149)	0	1,457
Revenue reserves	(125)	0	61	(64)
Lothian Valuation Joint Board				
Revenue reserves	258	0	106	364
Total Usable Reserves - Associates and Joint Ventures	**12,917**	**(5,639)**	**2,873**	**10,151**
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	**23,450**	**(19,387)**	**6,109**	**10,172**

10. Usable Reserves - continued
10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.15 £000	Inter-Fund Transfer 2015/16 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31.03.16 £000
Council's Usable Reserves					
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	1,054	0	(1,054)	2,804	2,804
Balances set aside for specific inv.	13,889	(3,000)	(2,661)	4,337	12,565
Contingency funding, workforce mgmt.	17,901	0	0	174	18,075
Council Priorities Fund	3,365	0	(3,022)	861	1,204
Dilapidations Fund	8,759	3,000	(402)	737	12,094
Energy Efficiency Fund	799	0	0	47	846
Insurance Funds	12,557	0	(250)	1,232	13,539
Licensing Income	1,402	0	(347)	339	1,394
Recycling balances	1,372	0	0	0	1,372
Revenue grants and contributions received in advance of planned expenditure	14,077	0	(3,912)	5,078	15,243
Council Tax Discount Fund	18,636	0	0	2,960	21,596
Spend to Save Fund and similar projects	7,469	0	(4,729)	4,277	7,017
Other earmarked balances	219	0	0	21	240
Strategic Acquisition Fund	3,000	0	(42)	4,500	7,458
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,256)	2,256	0
Total General Fund	117,524	0	(18,675)	29,623	128,472
Housing Revenue Account Balance	0	0	(2,256)	2,256	0
Renewal and Repairs Fund	35,833	0	0	2,361	38,194
Capital Fund	31,721	0	(18,198)	55,270	68,793
Capital Receipts Reserve	0	0	(116,763)	116,763	0
Capital Grants Unapplied Account	4,349	0	(3,285)	1,593	2,657
Total Usable Reserves - Council	**189,427**	**0**	**(159,177)**	**207,866**	**238,116**
Total Usable Reserves - Group	**199,599**	**0**	**(162,010)**	**241,147**	**278,736**

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	(re-stated) Balance at 01.04.14 £000	Inter-Fund Transfer 2014/15 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	(re-stated) Balance at 31.03.15 £000
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under DSM	1,273	0	(1,273)	1,054	1,054
Balances set aside for specific inv.	12,028	496	(3,938)	5,303	13,889
Contingency funding, workforce mgmt.	22,832	0	(5,676)	745	17,901
Council Priorities Fund	10,895	0	(8,258)	728	3,365
Dilapidations Fund	8,154	0	(85)	690	8,759
Energy Efficiency Fund	983	0	(275)	91	799
Insurance Funds	11,928	0	(1,550)	2,179	12,557
Licensing Income	1,820	0	(447)	29	1,402
Recycling balances	1,464	0	(92)	0	1,372
Revenue grants and contributions received in advance of planned expend.	16,180	(496)	(6,915)	5,308	14,077
Council Tax Discount Fund	16,335	0	0	2,301	18,636
Spend to Save Fund and similar projects	6,196	0	(2,861)	4,134	7,469
Other earmarked balances	197	0	0	22	219
Strategic Acquisition Fund	0	0	0	3,000	3,000
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,964)	2,964	0
Total General Fund	123,310	0	(34,334)	28,548	117,524
Housing Revenue Account Balance	0	0	(2,964)	2,964	0
Renewal and Repairs Fund	22,504	0	0	13,329	35,833
Capital Fund	22,379	0	(2,048)	11,390	31,721
Capital Receipts Reserve	0	0	21,479	(21,479)	0
Capital Grants Unapplied Account	1,994	0	(943)	3,298	4,349
Total Usable Reserves - Council	**170,187**	**0**	**(18,810)**	**38,050**	**189,427**
Total Usable Reserves - Group	**193,637**	**0**	**(38,197)**	**44,159**	**199,599**

10.2 Devolved School Management

A net credit balance of £2.804m (2014/15 £1.054m) is held within the General Fund in accordance with the Devolved School Management scheme.

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2015/16	**General Fund £000**	**HRA Balance £000**	**Renewal / Repairs Fund £000**	**Capital Receipts Reserve £000**
Transfers out	(18,675)	(2,256)	0	(116,763)
Transfers in	29,623	2,256	2,361	116,763
Total movements in fund	10,948	0	2,361	0
Recognised in Comprehensive Income and Expenditure Statement	(415)	2,256	0	(116,763)
Transfers to other earmarked reserves	11,363	(2,256)	2,361	116,763
Total movements in fund	10,948	0	2,361	0

	Capital Grants Unapplied £000	**Capital Fund £000**	**Group Usable Reserves £000**	**Total £000**
Transfers out	(3,285)	(18,198)	(2,833)	**(162,010)**
Transfers in	1,593	55,270	33,281	**241,147**
Total movements in fund	(1,692)	37,072	30,448	**79,137**
Recognised in Comprehensive Income and Expenditure Statement	(1,692)	0	3,665	**(112,949)**
Transfers to other earmarked reserves	0	37,072	26,783	**192,086**
Total movements in fund	(1,692)	37,072	30,448	**79,137**

2014/15 Comparative Data (re-stated)	**General Fund £000**	**HRA Balance £000**	**Renewal / Repairs Fund £000**	**Capital Receipts Reserve £000**
Transfers out	(34,334)	(2,964)	0	21,479
Transfers in	28,548	2,964	13,329	(21,479)
Total movements in fund	(5,786)	0	13,329	0
Recognised in Comprehensive Income and Expenditure Statement	2,625	2,964	0	0
Transfers to other earmarked reserves	(8,411)	(2,964)	13,329	0
Total movements in fund	(5,786)	0	13,329	0

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2014/15 Comparative Data (re-stated)	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(943)	(2,048)	(19,387)	**(38,197)**
Transfers in	3,298	11,390	6,109	**44,159**
Total movements in fund	2,355	9,342	(13,278)	**5,962**
Recognised in Comprehensive Income and Expenditure Statement	2,355	11,298	(20,954)	**(1,712)**
Transfers to other earmarked reserves	0	(1,956)	7,676	**7,674**
Total movements in fund	2,355	9,342	(13,278)	**5,962**

11. Other Operating Expenditure

	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
(Gains) / losses on the disposal of non-current assets	(37,109)	(37,258)	(4,807)	(4,716)
	(37,109)	(37,258)	(4,807)	(4,716)

12. Financing and Investment Income and Expenditure

	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
Interest payable and similar charges	95,552	95,138	94,064	93,657
Interest cost on defined benefit obligation	105,663	92,013	118,313	103,245
Interest receivable and similar income	(8,082)	(7,972)	(10,609)	(10,441)
Interest income on plan assets	(81,732)	(68,568)	(95,508)	(79,991)
Net income in relation to investment properties and changes in their fair value	(2,512)	(2,512)	(14,208)	(14,208)
Net (surplus) / deficit from trading activities	(2,026)	232	(49)	66
	106,863	108,331	92,003	92,328

13. Taxation and Non-Specific Grant Income

	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
Council Tax income	(216,351)	(216,351)	(212,976)	(212,976)
Non-domestic rates	(390,862)	(390,862)	(364,108)	(364,108)
Non-ring fenced government grants	(354,576)	(354,576)	(386,311)	(386,311)
Capital grants and contributions	(70,533)	(70,533)	(69,399)	(69,399)
Taxation expenses	2,670	0	1,678	0
	(1,029,652)	(1,032,322)	(1,031,116)	(1,032,794)

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment

14.1 Depreciation

No depreciation is provided in the year of an asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Council dwellings	50 years
Buildings	50 years (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP Schools	40 years (PPP1 schools) and 35 years (PPP2 schools)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 30 years, to reflect estimated useful life 3 years to 15 years, Group Companies

14.2 Capital Commitments

At 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £78.159m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2015 were £64.920m.

	£000	Expected Completion Date
Portobello New High School	11,830	Oct-16
Boroughmuir New High School	19,170	Oct-16
Kirkliston Primary School extension	1,620	Aug-17
Liberton HS New Gym	1,130	Aug-16
Rising school rolls 4 School extensions	3,140	Aug-16
Rising school rolls 3 School extenstions retention	800	Aug-16
Free School Meals kitchen retention	2,630	Aug-16
Kitchen and Bathrooms	3,889	1-2 years
External Fabric - high rise	1,040	1-2 years
Water of Leith Phase 2 (Flood defence works)	13,154	3 years
New Autism Day and Respite Centre retention	70	Apr-15
Royston Care Home	3,978	Sep-16
Calton Hill Restoration project	200	1 year
ICT capital investment / ICT transformational change investment	15,508	1 year
	78,159	

In November 2015, the group entered into an agreement to purchase 30 Open Top Tour vehicles and a V6e commentary system for £6,100,000. These are expected to be delivered during mid 2016.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued
14.3 Movements on Balances - Group Accounts
Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2015	1,047,151	1,841,517	300,619	1,350,760
Additions	31,257	34,385	20,673	25,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,931)	(24,783)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(65,455)	(8,421)	0
Derecognition - other	0	0	(455)	0
Assets reclassified (to) / from held for sale	(52)	(20,069)	0	0
Other movements in cost or valuation	0	4,867	0	0
At 31 March 2016	1,066,016	1,727,635	312,416	1,376,084
Accumulated Depreciation and Impairment				
At 1 April 2015	(17,593)	(109,400)	(122,492)	(438,264)
Depreciation charge	(18,457)	(47,366)	(19,964)	(64,900)
Depreciation charge written out to Revaluation Reserve	211	26,224	0	0
Depreciation written out to the Surplus on the Provision of Services	216	11,667	0	0
Derecognition - disposals	228	6,547	7,377	0
Derecognition - other	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(49)	0
Other movements in cost or valuation	2	659	0	0
At 31 March 2016	(35,393)	(111,669)	(134,673)	(503,164)
Net book value				
At 31 March 2016	1,030,623	1,615,966	177,743	872,920
At 31 March 2015	1,029,558	1,732,117	178,127	912,496

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts

Movements in 2015/16

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2015	12,192	12,634	50,330	**4,615,203**
Additions	1,328	137	44,485	**157,589**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	**(24,161)**
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	**(47,064)**
Derecognition - disposals	0	(2,917)	0	**(83,663)**
Derecognition - other	0	0	0	**(455)**
Assets reclassified (to) / from held for sale	0	(10,105)	0	**(30,226)**
Other movements in cost or valuation	0	260	(5,127)	**0**
At 31 March 2016	12,964	2,420	89,688	**4,587,223**
Accumulated Depreciation and Impairment				
At 1 April 2015	0	(10)	0	**(687,759)**
Depreciation charge	0	(41)	0	**(150,728)**
Depreciation charge written out to Revaluation Reserve	0	0	0	**26,435**
Depreciation written out to the Surplus on the Provision of Services	0	0	0	**11,883**
Derecognition - disposals	0	16	0	**14,168**
Derecognition - other	0	0	0	**455**
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(49)**
Other movements in cost or valuation	0	35	0	**696**
At 31 March 2016	0	0	0	**(784,899)**
Net book value				
At 31 March 2016	12,964	2,420	89,688	**3,802,324**
At 31 March 2015	12,192	12,624	50,330	**3,927,444**

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued
14.4 Movements on Balances - Group Accounts
2014/15 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,854,171	215,260	1,316,428
Additions	33,769	31,861	29,195	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,241)	(2,878)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	1,047,151	1,841,517	300,619	1,350,760
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(90,478)	(111,883)	(375,081)
Depreciation charge	(17,746)	(47,658)	(17,731)	(63,183)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,181	2,593	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	(17,593)	(109,400)	(122,492)	(438,264)
Net book value				
At 31 March 2015	1,029,558	1,732,117	178,127	912,496
At 31 March 2014	1,017,351	1,763,693	103,377	941,347

14. Property, Plant and Equipment - continued
14.4 Movements on Balances - Group Accounts
2014/15 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2014	11,347	17,243	79,740	**4,511,749**
Additions	1,164	89	34,694	**165,104**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	**(10,826)**
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	**(18,834)**
Derecognition - disposals	0	(850)	0	**(16,494)**
Derecognition - other	0	0	0	**(8,632)**
Assets reclassified (to) / from held for sale	0	(1,048)	0	**(6,864)**
Other movements in cost or valuation	0	0	(64,104)	**0**
At 31 March 2015	12,192	12,634	50,330	**4,615,203**
Accumulated Depreciation and Impairment				
At 1 April 2014	0	(93)	0	**(577,744)**
Depreciation charge	0	(66)	0	**(146,384)**
Depreciation charge written out to Revaluation Reserve	0	0	0	**20,902**
Depreciation written out to the Surplus on the Provision of Services	0	114	0	**5,948**
Derecognition - disposals	0	0	0	**4,901**
Derecognition - other	0	0	0	**5,793**
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(1,264)**
Other movements in cost or valuation	0	35	0	**89**
At 31 March 2015	0	(10)	0	**(687,759)**
Net book value				
At 31 March 2015	12,192	12,624	50,330	**3,927,444**
At 31 March 2014	11,347	17,150	79,740	**3,934,005**

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued
14.5 Movements on Balances - City of Edinburgh Council
Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2015	1,047,151	1,783,676	167,200	1,344,090
Additions	31,257	34,385	12,964	25,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,931)	(30,869)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(65,455)	(193)	0
Derecognition - other	0	0	(455)	0
Assets reclassified (to) / from held for sale	(52)	(20,069)	0	0
Other movements in cost or valuation	0	4,867	0	0
At 31 March 2016	1,066,016	1,663,708	179,516	1,369,414
Accumulated Depreciation and Impairment				
At 1 April 2015	(17,593)	(79,214)	(63,173)	(432,929)
Depreciation charge	(18,457)	(47,091)	(10,788)	(64,611)
Depreciation charge written out to Revaluation Reserve	211	26,847	0	0
Depreciation written out to the Surplus on the Provision of Services	216	11,667	0	0
Derecognition - disposals	228	6,547	0	0
Derecognition - other	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(49)	0
Other movements in cost or valuation	2	659	0	0
At 31 March 2016	(35,393)	(80,585)	(73,555)	(497,540)
Net book value				
At 31 March 2016	1,030,623	1,583,123	105,961	871,874
At 31 March 2015	1,029,558	1,704,462	104,027	911,161

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council

Movements in 2015/16

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
At 1 April 2015	12,192	12,634	50,330	**4,417,273**	572,541
Additions	1,328	137	44,485	**149,880**	9,432
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	**(30,247)**	3,062
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	**(47,064)**	(1,254)
Derecognition - disposals	0	(2,917)	0	**(75,435)**	0
Derecognition - other	0	0	0	**(455)**	0
Assets reclassified (to) / from held for sale	0	(10,105)	0	**(30,226)**	0
Other movements in cost or valuation	0	260	(5,127)	**0**	0
At 31 March 2016	12,964	2,420	89,688	**4,383,726**	583,781
Accumulated Depreciation and Impairment					
At 1 April 2015	0	(10)	0	**(592,919)**	(15,231)
Depreciation charge		(41)	0	**(140,988)**	(13,085)
Depreciation charge written out to Revaluation Reserve	0	0	0	**27,058**	5,498
Depreciation written out to the Surplus on the Provision of Services	0	0	0	**11,883**	566
Derecognition - disposals	0	16	0	**6,791**	0
Derecognition - other	0	0	0	**455**	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(49)**	0
Other movements in cost or valuation	0	35	0	**696**	0
At 31 March 2016	0	0	0	**(687,073)**	(22,252)
Net book value					
At 31 March 2016	12,964	2,420	89,688	**3,696,653**	561,529
At 31 March 2015	12,192	12,624	50,330	**3,824,354**	557,310

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council

2014/15 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2014	1,017,560	1,796,454	94,409	1,309,758
Additions	33,769	31,623	13,955	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,127)	(206)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	1,047,151	1,783,676	167,200	1,344,090
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(60,650)	(58,654)	(370,035)
Depreciation charge	(17,746)	(47,186)	(9,089)	(62,894)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,067	41	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	(17,593)	(79,214)	(63,173)	(432,929)
Net book value				
At 31 March 2015	1,029,558	1,704,462	104,027	911,161
At 31 March 2014	1,017,351	1,735,804	35,755	939,723

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council

2014/15 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2014	11,347	17,243	79,740	**4,326,511**	558,965
Additions	1,164	89	34,694	**149,626**	23,151
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	**(10,826)**	(9,629)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	**(18,834)**	0
Derecognition - disposals	0	(850)	0	**(13,708)**	0
Derecognition - other	0	0	0	**(8,632)**	0
Assets reclassified (to) / from held for sale	0	(1,048)	0	**(6,864)**	0
Other movements in cost or valuation	0	0	(64,104)	**0**	54
At 31 March 2015	12,192	12,634	50,330	**4,417,273**	572,541
Accumulated Depreciation and Impairment					
At 1 April 2014	0	(93)	0	**(489,641)**	(12,055)
Depreciation charge	0	(66)	0	**(136,981)**	(12,887)
Depreciation charge written out to Revaluation Reserve	0	0	0	**20,902**	9,711
Depreciation written out to the Surplus on the Provision of Services	0	114	0	**5,948**	0
Derecognition - disposals	0	0	0	**2,235**	0
Derecognition - other	0	0	0	**5,793**	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(1,264)**	0
Other movements in cost or valuation	0	35	0	**89**	0
At 31 March 2015	0	(10)	0	**(592,919)**	(15,231)
Net book value					
At 31 March 2015	12,192	12,624	50,330	**3,824,354**	557,310
At 31 March 2014	11,347	17,150	79,740	**3,836,870**	546,910

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings'.

14. Property, Plant and Equipment - continued

14.7 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Estate Manager (Projects), S. Sladdin RICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were assumed to be in a reasonable state of repair and have a life expectancy of more than fifty years. Where the Council has a planned replacement programme asset life is reviewed accordingly.

- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.

- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	55,506	49,545	110,867	1,369,414
Valued at fair value as at:				
31 March 2016	1,061	308,324	0	0
31 March 2015	1,425	272,141	67,674	0
31 March 2014	1,007,681	435,188	125	0
31 March 2013	343	470,428	850	0
31 March 2012	0	128,082	0	0
Total cost or valuation	1,066,016	1,663,708	179,516	1,369,414

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	12,964	0	89,688	1,687,984
Valued at fair value as at:				
31 March 2016	0	2,420	0	311,805
31 March 2015	0	0	0	341,240
31 March 2014	0	0	0	1,442,994
31 March 2013	0	0	0	471,621
31 March 2012	0	0	0	128,082
Total cost or valuation	12,964	2,420	89,688	4,383,726

14. Property, Plant and Equipment - continued

14.8 Surplus Assets and Investment Properties - Fair Value Disclosure

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2016
	£000	£000	£000	£000
Surplus assets	0	2,420	0	2,420
Investment properties - advertising hoardings	0	17,250	0	17,250
Total cost or valuation	0	19,670	0	19,670

- There were no transfers between levels during the year.
- The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in similar locations. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's surplus assets, the assumption has been made that these would be disposed for highest and best use consideration.
- The fair value for investment properties has been based on the market approach using current rent receivable with a capitalisation rate applied. The rate reflects the return that an investor would expect from the capital employed. There is evidence of lettings from the Council's property information systems which have been used to determine valuation parameters and the level of observable inputs is significant, leading to the investment properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

15. Investment Properties

15.1 Income and Expenses on Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and

	2015/16		2014/15	
	Group	Council	Group	Council
	£000	£000	£000	£000
Rental income from investment properties	(1,401)	(1,401)	(387)	(387)
Direct operating expenses arising from investment property	35	35	68	68
	(1,366)	(1,366)	(319)	(319)

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal.

15. Investment Properties - continued

15.2 Movement in Fair Value

The following table summarises the movement in the fair value of investment properties over the year.

	2015/16		2014/15	
	Group £000	**Council £000**	**Group £000**	**Council £000**
Value at 1 April	16,304	16,104	2,415	2,215
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	1,146	1,146	13,889	13,889
Transfers				
- (to) / from Inventories	0	0	0	0
- (to) / from Property, Plant and Equipment	0	0	0	0
- (to) / from Assets Held for Sale	0	0	0	0
Value at 31 March	17,450	17,250	16,304	16,104

16. Intangible Assets

Intangible assets mainly represent purchased software licences.

Software is given a finite useful life based on the period of the licence purchased.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.289m in 2015/16 (2014/15 £0.710m) was charged to the following services.

	2015/16 £000	2014/15 £000
Education services	45	56
Cultural and related services	0	0
Social Work	23	12
Services to the Public	1,221	642
Total amortisation	1,289	710

The movement on intangible asset balances during the year is as follows:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April				
Gross carrying amount	8,557	8,557	6,185	6,185
Less: Accumulated amortisation	(3,603)	(3,603)	(2,893)	(2,893)
Net carrying amount at 1 April	4,954	4,954	3,292	3,292
Additions during the year				
- Purchased intangible assets	0	0	2,372	2,372
Impairment during the year	0	0	0	0
Amortisation for the period	(1,289)	(1,289)	(710)	(710)
Net carrying amount at 31 March	3,665	3,665	4,954	4,954
Comprising:				
Gross carrying amounts	8,557	8,557	8,557	8,557
Accumulated amortisation	(4,892)	(4,892)	(3,603)	(3,603)
Net carrying amount at 31 March	3,665	3,665	4,954	4,954

The following items of capitalised software are individually material within intangible assets.

	Carrying Amount		Remaining Amortisation Period
	2015/16 £000	2014/15 £000	31.03.16
Master data management software	666	887	3 years
Web-based solution software, including web forms	715	953	3 years
Integration engine software	608	846	3 years
Customer relationship management solutions	1,266	1,687	3 years
Security management software	213	285	3 years

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets

17.1 Reconciliation of the Carrying Value of Heritage Assets

Movements in 2015/16

Cost or Valuation	**Monuments and Statues £000**	**Civic Regalia and Artefacts £000**	**Archival Collections £000**
At 1 April 2015	613	2,047	6,797
Additions	40	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	1	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2016	654	2,047	6,797
Accumulated Impairment			
At 1 April 2015	0	0	0
At 31 March 2016	0	0	0
Net book value			
At 31 March 2016	654	2,047	6,797
At 31 March 2015	613	2,047	6,797

Cost or Valuation	**Libraries' Special Collections £000**	**Museum and Gallery Collections £000**	**Total Heritage Assets £000**
At 1 April 2015	1,975	19,643	31,075
Additions	0	0	40
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	1
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2016	1,975	19,643	31,116
Accumulated Impairment			
At 1 April 2015	0	0	0
At 31 March 2016	0	0	0
Net book value			
At 31 March 2016	1,975	19,643	31,116
At 31 March 2015	1,975	19,643	31,075

17. Heritage Assets - continued

17.1 Reconciliation of the Carrying Value of Heritage Assets - continued

2014/15 Comparative Data

Cost or Valuation	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
At 1 April 2014	576	2,047	6,797
Additions	44	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(7)	0	0
At 31 March 2015	613	2,047	6,797
Accumulated Impairment			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
Net book value			
At 31 March 2015	613	2,047	6,797
At 31 March 2014	576	2,047	6,797

Cost or Valuation	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
At 1 April 2014	1,675	19,296	30,391
Additions	0	0	44
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	300	347	647
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(7)
At 31 March 2015	1,975	19,643	31,075
Accumulated Impairment			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
Net book value			
At 31 March 2015	1,975	19,643	31,075
At 31 March 2014	1,675	19,296	30,391

17. Heritage Assets - continued

17.2 Details of Heritage Assets

- Monuments and Statues are valued on an historic basis and valuations are carried out under the direction of the Council's Estate Manager (Projects).
- Civic Regalia and artefacts include items such as the Lord Provost's Badge and Chain of Office and the Rosebery Jewel. The value of these assets is based on an insurance purposes valuation carried out in 1998.
- Archival collections include historical records which relate to the history of Edinburgh and its surrounding areas. The value of these assets is based on a current insurance purposes valuation based on restoration costs only. This valuation has not changed since 2008/09.
- Libraries special collections include items such as rare book collections and pictures in Calotype. The value of these assets is based on an insurance purposes valuation carried out in 2007 with a minor proportions valuation being updated in 2014.
- Museums and Gallery collections include various collections held at a number of museums across Edinburgh. They include items held within the Social History, Applied Art, Writers Museum, Childhood, City Art Centre and Picture Loan Scheme. The value of these assets is based on insurance purposes valuations carried out in 2003 along with a minor proportions valuation being updated in 2014. A small minority of the assets are based on insurance purposes valuations carried out in 1996.
- The valuations for heritage assets have all been carried out internally and although they are from earlier periods, they are considered the most appropriate and relevant. Carrying out valuations for the majority of collections held is very costly and time consuming so it is not practicable to obtain recent valuations at a cost which is commensurate with the benefits to users of the financial statements. The carrying amounts of these heritage assets will be reviewed with sufficient regularity in the future to ensure they are brought up to date and remain appropriate.
- It has not been practical or possible to split out all heritage assets belonging to common good, charities or trusts. Therefore, the Council's balance sheet may hold this element of heritage assets that belong to other entities.
- The Council has three private vehicle registration plates which meet the definition of intangible heritage assets. These have not been recognised on the balance sheet due to lack of information on cost or current value. They are limited registration numbers that rarely become available for sale and therefore no relevant or appropriate current value can be placed on these.

18. Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long-Term		Current	
	31.03.16	**31.03.15**	**31.03.16**	**31.03.15**
Investments	**£000**	**£000**	**£000**	**£000**
Loans and receivables	0	0	128,378	99,286
Available for sale	0	0	64,311	0
Unquoted equity investment at cost	23,474	23,510	0	0
Total investments	23,474	23,510	192,689	99,286
Debtors				
Loans and receivables	5,538	4,374	29,978	37,522
Total debtors	5,538	4,374	29,978	37,522
Borrowings				
Financial liabilities (principal amount)	(1,299,901)	(1,351,533)	(69,843)	(64,341)
Accrued interest	0	0	(17,513)	(17,856)
Cost of amortisation	(8,988)	(9,074)	35	13
Total borrowings	(1,308,889)	(1,360,607)	(87,321)	(82,184)

The Council's policy of investing in Treasury Bills with the intention of holding to maturity remains unchanged, despite the reclassification of Financial Instruments per Note 18.4

18. Financial Instruments - continued

18.1 Categories of Financial Instruments - continued

	Long-Term	
	31.03.16	31.03.15
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	(215,787)	(226,589)
Deferred liability	(350)	(350)
Total other long-term liabilities	(216,137)	(226,939)

Further detail on the finance lease and PPP liabilities can be seen in notes 40 and 41.

	Current	
	31.03.16	31.03.15
Creditors	£000	£000
Financial liabilities at amortised cost	(15,277)	(18,597)
PPP and finance leases due within 1 year	(10,813)	(10,736)
Total creditors	(26,090)	(29,333)

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is reflected in the Balance Sheet as 'Other Long-term Liabilities' of £0.35m, as shown above and as a long-term investment.

18.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Available for Sale £000	Unquoted Equity at Amortised Cost £000	Total £000
Interest expense	75,596	0	0	0	75,596
Total expense in Surplus on the Provision of Services	75,596	0	0	0	75,596
Interest income	0	(687)	(326)	0	(1,013)
Dividend Income	0	0	0	(4,925)	(4,925)
Total Interest and investment income	0	(687)	(326)	(4,925)	(5,938)
Net gain for the year	75,596	(687)	(326)	(4,925)	69,658

In addition to the above interest expense, £1.849m (2014/15 £1.877m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.305m (2014/15 £0.279m) of loans fund expenses charged to the Council.

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Loans, including PWLB loans, borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans has been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of soft loan assets has been calculated using the cash flows implied by the appropriate market interest rate which has been deemed to be the appropriate PWLB rate plus a credit spread of between 2% and 5% depending on the party to whom the advance has been made.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values are calculated as follows		31.03.16		31.03.15	
	Fair Value Level	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Public Works Loans Board	2	(1,086,887)	(1,365,967)	(1,128,116)	(1,562,608)
Salix	2	(2,004)	(2,042)	(1,813)	(1,813)
Market debt	2	(289,443)	(497,978)	(293,496)	(508,695)
Temporary borrowing	n/a	(17,877)	(17,877)	(16,469)	(16,469)
Other bodies	n/a	0	0	(2,876)	(2,876)
Other long-term liabilities	n/a	(350)	(350)	(350)	(350)
Trade creditors	n/a	(15,277)	(15,277)	(18,597)	(18,597)
Finance Leases	3	(226,600)	(311,832)	(237,325)	(237,325)
Financial liabilities		(1,638,438)	(2,211,323)	(1,699,042)	(2,348,733)

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The relative reduction in fair value of the PWLB loans is due primarily to the requirement of IFRS13 to estimate the fair value of a financial liability using the price that would be paid to transfer it to another participant of equal credit standing rather than the PWLB Repayment Rate that had been used previously.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities - continued

		31.03.16		31.03.15	
Investments held at Fair Value	**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Treasury Bills	1	38,455	38,455	2,490	2,490
Money Market Funds	1	25,856	25,856	28,287	28,287
		64,311	64,311	30,777	30,777
Investment held at Amortised Cost					
Bank Call Accounts	n/a	41,028	41,028	60,633	60,633
Building Society Deposits	2	0	0	2,491	2,491
Local Authority Loans	2	87,350	87,357	0	0
Certificate of Deposit	2	0	0	2,509	2,509
Other Bodies	n/a	0	0	2,876	2,876
Unquoted Equity investment at cost	n/a	23,474	23,474	23,511	23,511
		151,852	151,859	92,020	92,020
Debtors					
Loan Stock	n/a	4,626	4,626	3,500	3,500
Soft Loans	3	912	912	874	874
Other trade debtors	n/a	29,978	29,978	37,522	37,522
		35,516	35,516	41,896	41,896
Total Investments		251,679	251,686	164,693	164,693

18.4 Available for Sale Financial Assets

As part of the introduction of IFRS13 in the 2015/16 financial year, a review of the classification of Financial Instruments has been undertaken and as a result, investment in Treasury Bills and Money Market Funds have been reclassified as Available for Sale per the table below.

		31.03.16		31.03.15	
Investments held at Fair Value	**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Treasury Bills	1	38,455	38,455	2,490	2,490
Money Market Funds	1	25,856	25,856	28,287	28,287
		64,311	64,311	30,777	30,777

The unrealised gain on the available for sale financial assets (Treasury Bills) was £1,857, which has been transferred to the Available for Sale Financial Assets Reserve in 2015/16 per Note 26.5.

19. Inventories
Movements in 2015/16 and 2014/15

	2015/16		2014/15	
	Group	Council	Group	Council
Fuel Stocks	£000	£000	£000	£000
Balance at 1 April	500	114	591	165
Purchases	22,162	2,162	26,043	2,771
Recognised as an expense in the year	(22,271)	(2,161)	(26,134)	(2,822)
Balance at 31 March	391	115	500	114
Gift Stock and Community Equipment	£000	£000	£000	£000
Balance at 1 April	1,165	1,165	831	831
Purchases	2,611	2,611	2,906	2,906
Held by a third party	34	34	33	33
Recognised as an expense in the year	(2,387)	(2,387)	(2,605)	(2,605)
Balance at 31 March	1,423	1,423	1,165	1,165
Construction and Other Raw Materials	£000	£000	£000	£000
Balance at 1 April	1,391	1,155	1,424	1,242
Purchases	17,324	3,413	23,433	8,081
Recognised as an expense in the year	(17,542)	(3,733)	(23,466)	(8,168)
Balance at 31 March	1,173	835	1,391	1,155
Items held for sale	£000	£000	£000	£000
Balance at 1 April	91	91	89	89
Purchases	376	376	329	329
Recognised as an expense in the year	(358)	(358)	(326)	(326)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	108	108	91	91
Work in Progress	£000	£000	£000	£000
Balance at 1 April	8,686	0	14,081	6
Purchases	5,662	0	0	0
Recognised as an expense in the year	0	0	(5,395)	(6)
Balance at 31 March	14,348	0	8,686	0
Clothing and Equipment	£000	£000	£000	£000
Balance at 1 April	90	90	79	79
Purchases	240	240	273	273
Recognised as an expense in the year	(235)	(235)	(262)	(262)
Balance at 31 March	95	95	90	90
Catering Stocks	£000	£000	£000	£000
Balance at 1 April	134	134	125	125
Purchases	2,847	2,847	2,630	2,630
Recognised as an expense in the year	(2,858)	(2,858)	(2,621)	(2,621)
Balance at 31 March	123	123	134	134

19. Inventories - continued

Total	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
Balance at 1 April	12,057	2,749	17,220	2,537
Purchases	51,222	11,649	55,614	16,990
Held by a third party	34	34	33	33
Recognised as an expense in the year	(45,651)	(11,732)	(60,809)	(16,810)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	17,661	2,699	12,057	2,749

20. Debtors

20.1 Long-term Debtors

	2015/16 Group £000	2015/16 Council £000	(re-stated) 2014/15 Group £000	(re-stated) 2014/15 Council £000
Central government bodies	25,016	25,016	34,865	34,865
Other local authorities	0	0	1,142	1,142
NHS bodies	0	0	97	97
Other entities and individuals	179,101	183,727	192,497	195,997
Total long-term debtors before provision for impairment	204,117	208,743	228,601	232,101
Less: Provision for impairment	(112,410)	(112,410)	(113,562)	(113,562)
Total net long-term debtors	91,707	96,333	115,039	118,539

20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2015/16 Group £000	2015/16 Council £000	(re-stated) 2014/15 Group £000	(re-stated) 2014/15 Council £000
Capital advances				
Police Scotland	16,151	16,151	18,262	18,262
Fire Scotland	2,052	2,052	3,192	3,192
Council Tax	90,417	90,417	91,519	91,519
Non-Domestic Rates	1,700	1,700	1,757	1,757
CEC Holdings	0	4,626	0	3,500
NHT Loans (see note 34.3)	47,162	47,162	45,665	45,665
House rents	5,252	5,252	3,793	3,793
Car loan scheme	131	131	146	146
Shared equity scheme (see note 34.2)	485	485	484	484
Scheme of assistance (see note 34.2)	901	901	810	810
Other debtors	39,866	39,866	62,973	62,973
	204,117	208,743	228,601	232,101

Long-term debtors include £16.151m (2014/15 £18.262m) and £2.052m (2014/15 £3.192m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

20. Debtors - continued

20.3 Current Debtors

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	25,867	23,364	30,932	28,645
Other local authorities	1,473	1,078	3,682	2,836
NHS bodies	1,642	1,641	1,645	1,645
Public corporations and trading funds	33	33	86	86
Other entities and individuals	162,293	155,062	137,690	127,634
Total current debtors before provision for impairment	191,308	181,178	174,035	160,846
Less: Provision for impairment	(95,478)	(95,478)	(90,665)	(90,665)
Total net current debtors	95,830	85,700	83,370	70,181

20.4 Provision for Impairment

	2015/16		2014/15	
	Group	Council	Group	Council
Long-term provision for impairment	£000	£000	£000	£000
Council tax	(87,765)	(87,765)	(87,720)	(87,720)
Non-Domestic rates	(1,357)	(1,357)	(1,362)	(1,362)
Sundry debtors	(23,288)	(23,288)	(24,480)	(24,480)
Total long-term provision for impairment	(112,410)	(112,410)	(113,562)	(113,562)
Current provision for impairment	£000	£000	£000	£000
Council tax	(84,367)	(84,367)	(80,090)	(80,090)
Non-Domestic rates	(60)	(60)	(190)	(190)
Sundry debtors	(11,051)	(11,051)	(10,385)	(10,385)
Total current provision for impairment	(95,478)	(95,478)	(90,665)	(90,665)

21. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within two months of the balance sheet are deemed to be cash and cash equivalents.

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Cash held	385	385	385	385
Bank current accounts	2,972	(17,749)	(4,167)	(17,723)
Short-term deposits:				
With banks or building societies	41,028	41,028	65,007	65,007
With other local authorities	74,327	74,327	0	0
With money market fund	0	0	29,131	29,131
With treasury bills	0	0	2,565	2,565
Other	0	0	2,583	2,583
	118,712	97,991	95,504	81,948

Treasury bills and money market funds have now been included in the short-term deposits with banks or building societies to reflect IFRS 13 reclassification as Available for Sale.

22. Assets Held for Sale

22.1 Non-Current Assets	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
Balance at 1 April	21,179	21,179	17,379	17,379
Additions	174	174	95	95
Revaluation gains/(losses) recognised in the revaluation reserve	893	893	8,200	8,200
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(537)	(537)
Assets reclassified as held for sale: Property, Plant and Equipment	29,528	29,528	5,585	5,585
Assets sold	(2,517)	(2,517)	(2,697)	(2,697)
Transfers from non-current to current	(5,511)	(5,511)	(6,846)	(6,846)
Balance at 31 March	43,746	43,746	21,179	21,179

22.2 Current Assets	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
Balance at 1 April	8,503	8,503	2,889	2,889
Additions	49	49	22	22
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	149	149
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	3	3	1,190	1,190
Assets sold	(8,345)	(8,345)	(2,593)	(2,593)
Transfers from non-current to current	5,511	5,511	6,846	6,846
Balance at 31 March	5,721	5,721	8,503	8,503

23. Creditors

	2015/16 Group £000	2015/16 Council £000	re-stated 2014/15 Group £000	re-stated 2014/15 Council £000
Central government bodies	(25,979)	(21,823)	(31,804)	(28,514)
Other local authorities	(8,278)	(7,136)	(15,305)	(14,296)
NHS bodies	(639)	(639)	(660)	(660)
Public corporations and trading funds	(11,500)	(11,500)	(2,426)	(2,426)
Other entities and individuals	(128,205)	(106,919)	(129,912)	(105,550)
	(174,601)	(148,017)	(180,107)	(151,446)

24. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £13.004m (2014/15 £19.770m).

Of this amount, £11.532m (2014/15 £17.994m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below, based on the Council's assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2015	(3,629)	(2,644)	(1,512)
Additional provisions made during the year	(726)	0	(204)
Amounts used during the year	1,443	1,450	0
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	626	0
Balance at 31 March 2016	(2,912)	(568)	(1,716)

	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2015	(170)	(177)	(9,862)
Additional provisions made during the year	0	(501)	(1,833)
Amounts used during the year	0	207	5,480
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	0	520
Balance at 31 March 2016	(170)	(471)	(5,695)

	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2015	(17,994)	(1,776)	(19,770)
Additional provisions made during the year	(3,264)	(746)	(4,010)
Amounts used during the year	8,580	1,050	9,630
Transferred from other long-term liabilities	0	0	0
Unused amounts reversed during the year	1,146	0	1,146
Balance at 31 March 2016	(11,532)	(1,472)	(13,004)

25. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 15 to 17) and Note 10.

26. Unusable Reserves

26.1 Summary of Unusable Reserves

	31 March 2016 £000	Re-stated Balance as at: 31 March 2015 £000
Revaluation Reserve	861,308	905,886
Capital Adjustment Account	1,372,435	1,340,067
Financial Instruments Adjustment Account	(47,214)	(49,159)
Avaialbe for Sale Financial Assets Reserve	2	0
Pensions Reserve	(438,940)	(726,969)
Employee Statutory Adjustment Account	(14,862)	(20,738)
Total Council Unusable Reserves	1,732,729	1,449,087
Subsidiaries, Associates and Joint Ventures	111,293	99,107
Total Group Unusable Reserves	1,844,022	1,548,194

26.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

		2015/16 £000		re-stated 2014/15 £000
Balance at 1 April		n/a		918,790
Prior year re-statement Long-term debtor related to construction of asset		n/a		(5,712)
Balance at 1 April		905,886		913,078
Upward revaluation of assets	49,068		49,478	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(51,362)		(30,408)	
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service		(2,294)		19,070
Difference between fair value depreciation and historical cost depreciation	(18,860)		(19,321)	
Accumulated gains on assets sold	(23,424)		(6,941)	
Amount written off to the capital adjustment account		(42,284)		(26,262)
Balance at 31 March		861,308		905,886

26. Unusable Reserves - continued

26.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and evaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 9 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

		2015/16 £000		re-stated 2014/15 £000
Balance at 1 April		n/a		1,306,580
Prior year re-statement				
Scheme of assistance / shared equity scheme		n/a		1,246
Creditor related to construction of asset		n/a		(203)
Balance at 1 April		1,340,067		1,307,623
Reversal of items relating to capital expenditure debited or credited to the CIES				
Charges for depreciation and impairment of non-current assets	(138,284)		(135,488)	
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(36,323)		(13,577)	
Amortisation of intangible assets	(1,289)		(710)	
Capital funded from revenue	215		5,674	
Revenue exp. funded from capital under statute	(38,846)		(32,641)	
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(37,258)		4,716	
	(251,785)		(172,026)	
Adjusting amounts written out of the revaluation reserve	42,284		26,262	
Net written out amount of the costs of non-current assets consumed in the year		(209,501)		(145,764)
Capital financing applied in the year:				
Use of the capital receipts reserve to finance new capital expenditure	116,763		21,479	
Capital grants and contributions credited to the CIES that have been applied to capital financing	68,940		66,101	
Application of grants from the capital grants unapplied account / capital fund	3,285		943	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	101,473		90,653	
Capital expenditure charged against the General Fund and HRA balances	38,846		32,641	
		329,307		211,817
Movements in the market value of investment properties credited to the CIES		1,146		13,889
Other unrealised losses debited to the CIES		(88,584)		(47,498)
Balance at 31 March		1,372,435		1,340,067

26. Unusable Reserves - continued

26.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

		2015/16 £000		2014/15 £000
Balance at 1 April		(49,159)		(51,049)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,849		1,877	
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	79		18	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements		1,928		1,895
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition		17		(5)
Balance at 31 March		(47,214)		(49,159)

The Council operates a loans pool on behalf of the General Fund and Housing Revenue Account. With the transfer of responsibility for Police and Fire services to the new national bodies, all movements are now reflected on the Council's Balance Sheet. An element of the cost, however, is recovered through the pooled interest rate and therefore there is no financial impact on the Council.

26.5 Available for Sale Financial Assets Reserve

The available for sale financial assets reserve provides a balancing mechanism for gains and losses arising on movements in fair value of financial assets (such as Treasury Bills and Money Market Funds).

	2015/16 £000	2014/15 £000
Balance at 1 April	0	0
Unrealised gains / (losses) on revaluation of assets	2	0
Balance at 31 March	2	0

26.6 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements, however, require benefits to be financed as the Council makes its contributions to Lothian Pension Fund or pays any pensions for which it is directly responsible.

26. Unusable Reserves - continued
26.6 Pensions Reserve - continued

The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits require to be paid.

	2015/16 £000	2014/15 £000
Balance at 1 April	(726,969)	(535,498)
Actuarial gains or losses on pension assets and liabilities	323,138	(156,748)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(107,396)	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	72,287	61,359
Balance at 31 March	(438,940)	(726,969)

26.7 Employee Statutory Adjustment Account

The employee statutory adjustment account provides a balancing mechanism arising from the different arrangements that would otherwise impact on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year (annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is mitigated by transfers to or from this account.

The amount accrued at the end of the 2015/16 is £5.875m lower than the previous year. This is mainly attributable to the timing of the Easter break and resulting impact on teachers' accrued leave and policy changes to the amount of unused leave that can be carried forward from year to year.

		2015/16 £000		2014/15 £000
Balance at 1 April		(20,738)		(26,357)
Settlement or cancellation of accrual made at the end of the preceding year	20,738		26,357	
Amount accrued at the end of the current year	(14,862)		(20,738)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		5,876		5,619
Balance at 31 March		(14,862)		(20,738)

26. Unusable Reserves - continued

26.8 Unusable Reserves - Group Members

	Balance as at: 31 March 2016 £000	31 March 2015 £000
Subsidiaries		
CEC Holdings Limited		
Capital adjustment account	64,465	64,465
Capital contribution	13,058	12,267
Transport for Edinburgh		
Revaluation reserve	11,309	6,337
Non Controlling Interest	8,527	5,598
Other Unusable Reserves	(4,514)	(4,457)
Total Unusable Reserves - Subsidiaries	92,845	84,210
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(22)
Revaluation reserve	21,995	21,860
Lothian Valuation Joint Board		
Capital adjustment account	352	385
Employee statutory adjustment account	(57)	(59)
Pension reserve	(3,820)	(7,267)
Total Unusable Reserves - Associates and Joint Ventures	18,448	14,897
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	111,293	99,107

27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 Group £000	2015/16 Council £000	2014/15 Group £000	2014/15 Council £000
Interest received	(2,136)	(1,924)	(7,978)	(7,748)
Interest paid	97,540	97,072	95,936	95,470
Investment income received	(4,925)	(4,925)	(3,000)	(3,000)
Net cash flows from interest and investment income	90,479	90,223	84,958	84,722

NOTES TO THE FINANCIAL STATEMENTS

28. Cash Flow Statement - Investing Activities

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	142,105	134,408	157,496	142,282
Other payments for investing activities	44,348	43,854	60,064	51,133
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(118,862)	(118,175)	(16,766)	(16,499)
Net proceeds from short- and long-term investments	77,377	77,423	(4,410)	(4,410)
Other receipts from investing activities	(11,395)	(11,395)	(13,282)	(13,282)
Net cash flows from investing activities	133,573	126,115	183,102	159,224

29. Cash Flow Statement - Financing Activities

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(2,548)	(1,757)	(48,189)	(47,342)
Other payments for / (receipts) from financing activities	(7,797)	(7,797)	1,263	1,263
Cash payments for the reduction of the outstanding liabilities relating to finance leases	13,187	10,725	12,317	9,695
Repayments of short- and long-term borrowing	45,010	45,010	30,454	30,454
Net cash flows from investing activities	47,852	46,181	(4,155)	(5,930)

30. Analysis of Change in Financing Activities

	Balance 01.04.15	Cash Trans.	Non Cash Trans.	Balance 31.03.16
Group	**£000**	**£000**	**£000**	**£000**
Debt due within 1 Year	(77,787)	(9,868)	334	(87,321)
Debt due after 1 Year	(1,351,473)	53,129	96	(1,298,248)
Total debt due	(1,429,260)	43,261	430	(1,385,569)
Other liquid resources	83,935	(8,596)	1,126	76,465
Finance leases	(240,460)	13,187	0	(227,273)
Total	**(1,585,785)**	**47,852**	**1,556**	**(1,536,377)**
Council	**£000**	**£000**	**£000**	**£000**
Debt due within 1 Year	(79,287)	(8,368)	334	(87,321)
Debt due after 1 Year	(1,360,607)	51,622	96	(1,308,889)
Total debt due	(1,439,894)	43,254	430	(1,396,210)
Other liquid resources	101,351	(7,797)	1,126	94,680
Finance leases	(237,324)	10,724	0	(226,600)
Total	**(1,575,867)**	**46,181**	**1,556**	**(1,528,130)**

31. Reconciliation of Movements in Cash Receipts and Repayments of Short- and Long-Term Borrowing

Group	Balance 01.04.15 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.16 £000
Financing				
Temporary loans	(16,469)	(1,405)	(3)	(17,877)
PWLB	(1,128,116)	40,841	388	(1,086,887)
Market loans	(293,496)	4,000	53	(289,443)
Other Borrowing	8,821	(175)	(8)	8,638
Net financing	**(1,429,260)**	**43,261**	**430**	**(1,385,569)**

Council	£000	£000	£000	£000
Financing				
Temporary loans	(16,469)	(1,405)	(3)	(17,877)
PWLB	(1,128,116)	40,841	388	(1,086,887)
Market loans	(293,496)	4,000	53	(289,443)
Other Borrowing	(1,813)	(182)	(8)	(2,003)
Net financing	**(1,439,894)**	**43,254**	**430**	**(1,396,210)**

Accrued interest is included in the carrying value of investments and loans.

32. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service shown in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocations are taken by the Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made to departments in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of balances on the revaluation reserves are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on the payment of employer's contributions to Lothian Pension Fund rather than the current service cost of benefits earned during the year.
- expenditure on support services is budgeted for within the relevant departments that provide the support services and not charged directly to services receiving the support services.

The income and expenditure for the Council's main service areas is shown separately on the following pages. Income and expenditure for the subsidiary, associate and joint venture companies is shown in total.

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure

2015/16	Children and Families £000	Economic Devt. £000	Corporate Governance £000
Fees, charges and other service income	(7,912)	(692)	(20,518)
Government grants and other contributions	(14,921)	(5,257)	(15,837)
Total Income	(22,833)	(5,949)	(36,355)
Employee expenses	263,163	4,296	42,031
Other service expenses	158,673	13,515	74,134
Total Expenditure	421,836	17,811	116,165
Net Expenditure / (Income)	399,003	11,862	79,810

	Health and Social Care £000	Housing Revenue Account £000	Valuation Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,190)	(107,172)	0	(207,957)
Government grants and other contributions	(57,345)	(2,901)	0	(41,182)
Total Income	(77,535)	(110,073)	0	(249,139)
Employee expenses	104,128	13,754	0	127,570
Other service expenses	180,897	85,365	3,744	255,035
Support service recharges	0	8,698	0	825
Total Expenditure	285,025	107,817	3,744	383,430
Net Expenditure / (Income)	207,490	(2,256)	3,744	134,291

	Net Cost of Benefits £000	Centrally Funded Release Costs £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(131,086)	(495,527)
Net income from associates	0	0	(18,712)	(18,712)
Government grants and other contributions	(201,072)	0	(27,159)	(365,674)
Total Income	(201,072)	0	(176,957)	(879,913)
Employee expenses	0	20,942	89,478	665,362
Other service expenses	225,171	0	72,736	1,069,270
Support service recharges	0	0	0	9,523
Depreciation, amortisation and impairment	0	0	9,727	9,727
Total Expenditure	225,171	20,942	171,941	1,753,882
Net Expenditure / (Income)	24,099	20,942	(5,016)	873,969

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued
32.1 Departmental Income and Expenditure - continued

(re-stated) 2014/15 Comparative Data	Children and Families £000	Economic Devt. £000	Corporate Governance £000
Fees, charges and other service income	(8,692)	(719)	(23,424)
Government grants and other contributions	(15,183)	(4,417)	(16,401)
Total Income	(23,875)	(5,136)	(39,825)
Employee expenses	260,755	4,516	44,158
Other service expenses	154,513	13,073	76,745
Total Expenditure	415,268	17,589	120,903
Net Expenditure / (Income)	391,393	12,453	81,078

	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,736)	(105,025)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
Total Income	(75,038)	(106,611)	0	(248,352)
Employee expenses	103,675	10,968	0	126,824
Other service expenses	181,600	85,470	3,745	258,064
Support service recharges	0	7,209	0	780
Total Expenditure	285,275	103,647	3,745	385,668
Net Expenditure / (Income)	210,237	(2,964)	3,745	137,316

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(132,710)	(504,674)
Net income from associates	0	0	(21,412)	(21,412)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
Total Income	(202,248)	0	(180,973)	(882,058)
Employee expenses	0	(707)	83,591	633,780
Other service expenses	229,642	0	80,522	1,083,374
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	9,140	9,140
Total Expenditure	229,642	(707)	173,253	1,734,283
Net Expenditure / (Income)	27,394	(707)	(7,720)	852,225

32. Amounts Reported for Resource Allocation Decisions - continued

32.2 Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements for the Group and the Council

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	873,969	878,985	852,225	859,945
Net expenditure of services and support services not included in the dept. analysis	(8,702)	(8,702)	33,053	33,053
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	160,821	160,821	100,676	100,676
Amounts included in departmental analysis not included in CIES	(72,287)	(72,287)	(61,359)	(61,359)
Amounts included in the departmental analysis included below Cost of Services in the CIES	(232)	(232)	(66)	(66)
Cost of Services in CIES	953,569	958,585	924,529	932,249

32.3 Reconciliation to Subjective Analysis

Group 2015/16	**Dept. Analysis £000**	**Services not in Analysis £000**	**Not Reported to Mgmt. £000**
Fees, charges and other service income	(495,527)	7,939	1,561
Net income from associates and joint ventures	(18,712)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(365,674)	6,627	0
Total Income	(879,913)	14,566	1,561
Employee expenses	665,362	87,008	(17,828)
Other service expenses	1,069,270	(110,276)	(1,561)
Support service recharges	9,523	0	0
Depreciation, amortisation and impairment	9,727	0	178,649
Total Expenditure	1,753,882	(23,268)	159,260
Net Expenditure / (Income)	873,969	(8,702)	160,821

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Group 2015/16	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	980	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	980	0
Employee expenses	(72,287)	(587)	4,588
Other service expenses	0	(625)	4,935
Support service recharges	0	0	(9,523)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(72,287)	(1,212)	0
Net Expenditure / (Income)	(72,287)	(232)	0

Group 2015/16	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(485,047)	(3,527)	(488,574)
Net income from associates and joint ventures	(18,712)	0	(18,712)
Interest and investment income	0	(89,814)	(89,814)
Income from Council Tax	0	(216,351)	(216,351)
Government grants and other contributions	(359,047)	(815,971)	(1,175,018)
Total Income	(862,806)	(1,125,663)	(1,988,469)
Employee expenses	666,256	587	666,843
Other service expenses	961,743	1,072	962,815
Support service recharges	0	0	0
Depreciation, amortisation and impairment	188,376	0	188,376
Interest payments	0	201,215	201,215
Gain on disposal of assets	0	(37,109)	(37,109)
Total Expenditure	1,816,375	165,765	1,982,140
Net Expenditure / (Income)	953,569	(959,898)	(6,329)

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Council 2015/16	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(364,441)	7,939	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(338,515)	6,627	0
Total Income	(702,956)	14,566	0
Employee expenses	575,884	87,008	(17,828)
Other service expenses	996,534	(110,276)	0
Support service recharges	9,523	0	0
Depreciation, amortisation and impairment	0	0	178,649
Total Expenditure	1,581,941	(23,268)	160,821
Net Expenditure / (Income)	878,985	(8,702)	160,821

Council 2015/16	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	980	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	980	0
Employee expenses	(72,287)	(587)	4,588
Other service expenses	0	(625)	4,935
Support service recharges	0	0	(9,523)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(72,287)	(1,212)	0
Net Expenditure / (Income)	(72,287)	(232)	0

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Council 2015/16	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges and other service income	(355,522)	(3,527)	(359,049)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(76,540)	(76,540)
Income from Council Tax	0	(216,351)	(216,351)
Government grants and other contributions	(331,888)	(815,971)	(1,147,859)
Total Income	(687,410)	(1,112,389)	(1,799,799)
Employee expenses	576,778	587	577,365
Other service expenses	890,568	660	891,228
Support service recharges	0	0	0
Depreciation, amortisation and impairment	178,649	0	178,649
Interest payments	0	187,151	187,151
Gain on disposal of assets	0	(37,258)	(37,258)
Total Expenditure	1,645,995	151,140	1,797,135
Net Expenditure / (Income)	958,585	(961,249)	(2,664)

(re-stated) Group 2014/15 Comparative Data	**Dept. Analysis £000**	**Services not in Analysis £000**	**Not Reported to Mgmt. £000**
Fees, charges and other service income	(504,674)	11,619	2,391
Net income from associates and joint ventures	(21,412)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(355,972)	9,490	0
Total Income	(882,058)	21,109	2,391
Employee expenses	633,780	116,082	(51,856)
Other service expenses	1,083,374	(104,138)	(2,391)
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	9,140	0	152,532
Total Expenditure	1,734,283	11,944	98,285
Net Expenditure / (Income)	852,225	33,053	100,676

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Group 2014/15 Comparative Data	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

Group 2014/15 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(489,367)	(15,505)	(504,872)
Net income from associates and joint ventures	(21,412)	0	(21,412)
Interest and investment income	0	(106,117)	(106,117)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(346,482)	(819,818)	(1,166,300)
Total Income	(857,261)	(1,154,416)	(2,011,677)
Employee expenses	639,298	701	639,999
Other service expenses	980,820	2,225	983,045
Support service recharges	0	0	0
Depreciation, amortisation and impairment	161,672	0	161,672
Interest payments	0	212,377	212,377
Gain on disposal of assets	0	(4,807)	(4,807)
Total Expenditure	1,781,790	210,496	1,992,286
Net Expenditure / (Income)	924,529	(943,920)	(19,391)

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Council 2014/15 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(371,964)	11,619	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(329,121)	9,490	0
Total Income	(701,085)	21,109	0
Employee expenses	550,189	116,082	(51,856)
Other service expenses	1,002,852	(104,138)	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	0	0	152,532
Total Expenditure	1,561,030	11,944	100,676
Net Expenditure / (Income)	859,945	33,053	100,676

Council 2014/15 Comparative Data	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Council 2014/15 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(359,048)	(15,573)	(374,621)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(90,432)	(90,432)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	(678,679)	(1,138,799)	(1,817,478)
Employee expenses	555,707	701	556,408
Other service expenses	902,689	730	903,419
Support service recharges	0	0	0
Depreciation, amortisation and impairment	152,532	0	152,532
Interest payments	0	196,902	196,902
Gain on disposal of assets	0	(4,716)	(4,716)
Total Expenditure	1,610,928	193,617	1,804,545
Net Expenditure / (Income)	932,249	(945,182)	(12,933)

33. Trading Operations

The following services continue to meet the definition of significant trading operations under the terms of the Local Government in Scotland Act 2003, as amended.

33.1 Edinburgh Catering Services - Other Catering

Edinburgh Catering Services - Other Catering is a quality accredited trading operation providing a catering service to staff and the public across seven Council buildings which includes civic hospitality in Waverley Court and the City Chambers.

Civic hospitality which includes external customers accounts for approximately 45% of the business turnover within this contract.

	2015/16 £000	2014/15 £000	2013/14 £000	Cumulative £000
Turnover	980	1,297	1,355	n/a
(Deficit) / Surplus	(232)	(66)	(45)	(343)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period, due to a downturn in turnover on internal hospitality, an increase in other staffing and equipment costs. Reductions in vending equipment are planned to ensure cost reduction going forward, along with a new pricing policy aimed at increasing income from staff facilities and internal hospitality.

The results of Edinburgh Catering Services - Other Catering are included within 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

33. Trading Operations - continued

33.2 Refuse Collection, including Trade Waste

This trading operation provides refuse collection services for over 239,000 households, with the majority of these properties being served by a containerised waste collection system. Trade waste provides a collection and disposal service to producers of commercial waste throughout the city. In addition the service provides uplifts of bulky household refuse.

	2015/16 £000	2014/15 £000	2013/14 £000	Cumulative £000
Turnover	16,723	17,155	17,319	n/a
Surplus / (deficit)	(242)	2,279	2,997	5,034

Refuse Collection achieved its statutory obligation to break even over the three-year period.

In 2015/16, a citywide scheme was introduced to improve the appearance of the capital's streets. Businesses were no longer permitted to premanently store their waste containers in public and were required to present their waste during timed collection windows. As a consequence, there was an increase in staff and vehicle costs to support this initiative.

The results of Refuse Collection / Trade Waste are included within 'Environmental Services' in the Comprehensive Income and Expenditure Statement.

34. Financial Support and Guarantees

34.1 Loans and guarantees

The Council has made loans to the following organisations at less than market interest rates (soft loans).

	2015/16 £000 Transport for Edinburgh Ltd.	2014/15 £000 Transport for Edinburgh Ltd.	2015/16 £000 Spartan Community Football Academy	2014/15 £000 Spartan Community Football Academy
Opening Balance	824	0	51	50
New Loans	0	1,000	0	0
Increase in the Discounted Amount	37	20	4	4
Fair Value Adjustment	0	(196)	0	0
Loan Repayment	0	0	(3)	(3)
Balance Carried Forward	861	824	52	51
Nominal Value Carried Forward	1,000	1,000	105	108

Adjustments have been made under the requirements of IAS 39 as required by the Code.

The Transport for Edinburgh loan relates to two £500,000 loans to Transport for Edinburgh Ltd. to provide a loan facility to Tramco for its general working capital purposes and funding its business and activities.

The Spartans loan relates to the lease of an area of ground lying immediately to the west of Ainslie Park Leisure Centre, Pilton Drive, Edinburgh. The original outstanding payment was £120,000, with £3,000 to be paid on or before 31 March each year for ten consecutive years from 31 March 2012 and £9,000 to be paid for ten consecutive years on or before 31 March from 31 March 2022.

34. Financial Support and Guarantees - continued

34.2 Shared Equity Scheme / Scheme of Assistance

In 2010/11, the Council approved a shared equity scheme to help buyers purchase homes from PARC. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Interest for the period up to 2014/15 was charged to PARC and thereafter to the purchasers. Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the orginal loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

34.3 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs. The Council works with the Scottish Government and SFT to procure private developers to build homes for mid-market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships through the NHT initiative

Phase 1 of investment in NHT saw 422 new homes delivered, by June 2014, across four sites, at a cost of £45.67m.

Phase 2 of NHT was approved in June 2014, for the delivery of up to 96 new affordable housing units. Investment totalling £11.92m will be required with £1.498m of expenditure incurred in 2015/16 and the remaining balance of £10.422m forecast for 2016/17.

A third phase of NHT has been approved and will deliver up to 413 mid-market rent homes across three separate sites by December 2019. The estimated cost of phase 3 is £48.122m.

The Council has advanced the following sums through the NHT scheme:

Developer	Development Site	Total No. of Units	2015/16 £000	Prior Years £000
Places for People	Lochend North	126	0	13,323
Places for People	Lighthouse Court	62	0	6,492
Teague Homes Limited	Salamander Place / Leith Links	145	0	15,551
Miller Homes	Telford North	89	0	10,299
FP Newhaven Ltd	Sandpiper Road	12	1,498	0
			1,498	45,665

These sums are included within long-term debtors, as detailed in note 20.2.

35. Agency Income and Expenditure

The Council has entered into agency agreements with other local public bodies to provide and receive services, the income and expenditure for which is included in the Comprehensive Income and Expenditure Statement. The main activities were:

	2015/16 £000	2014/15 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	71	279
Educational services for children	2,176	1,842
Care services for children	1,653	1,491
Scottish Cities Alliance Investment Fund (see note 48.)	900	1,337
Others		
Police officers	2,560	2,600
Police Scotland - cab inspection	120	299
Scottish Cities Alliance Investment Fund (see note 48.)	180	0
Total Expenditure	**7,660**	**7,848**
Income		
Receipts in respect of library services:		
Health Boards	(19)	(19)
Scottish Prison Service	(16)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,377)	(1,026)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,680)
Midlothian Council	(62)	(61)
Receipts from other local authorities in respect of:		
Criminal justice services	(975)	(1,055)
Educating pupils	(634)	(741)
Pentland Hills Regional Park management	(78)	(78)
Care services for children	(958)	(867)
Risk Factory	(35)	(39)
Social work undertakings	(3,995)	(4,302)
Total Income	**(9,829)**	**(9,884)**

36. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.691m (2014/15 £0.691m). The Council has re-charged £0.047m of the audit fee to Lothian Pension Funds in respect of its audit (2014/15 £0.048m), and £0.004m (2014/15 £nil) to The City of Edinburgh Council Charitable Trusts.

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's accounts (formerly tie Limited). The Council paid £0.002m during 2015/16 (2014/15 £0.002m) for the audit of 2014/15 financial statements.

37. Grant Income

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2015/16		2014/15	
Revenue Funding	**£000**	**£000**	**£000**	**£000**
Credited to taxation and non-specific grant income				
General revenue funding	(354,576)		(386,311)	
Non-domestic rates	(390,862)		(364,108)	
		(745,438)		(750,419)
Credited to services				
Government grants	(19,611)		(20,594)	
Department for Work and Pensions				
- Housing benefits	(202,668)		(202,325)	
- Other funding	(4,537)		(4,515)	
N.H.S. Lothian	(41,348)		(37,093)	
Other Local Authorities	(3,447)		(3,929)	
Scottish Water	(1,758)		0	
International Conference Centre Inc. Trust	(621)		(1,627)	
Edinburgh Leisure	(684)		(679)	
Scottish Prison Service	(489)		(489)	
Lottery funding	(21)		(25)	
SportScotland	(881)		(1,012)	
		(276,065)		(272,288)
Total		(1,021,503)		(1,022,707)
Capital Funding				
Scottish Government		(63,499)		(63,942)
Transport Scotland		(42)		(42)
Other grants and contributions, including contributions from developers and individuals		(3,507)		(3,366)
Port of Leith Housing Association		(985)		(105)
Kirkliston Consortium		(1,979)		(951)
Henderson Global		533		28
Cruden Homes		(507)		(242)
Historic Scotland		(431)		(173)
Forth Estuary Transport Authority		0		(235)
Royal Bank of Scotland		0		(56)
Museum Galleries Scotland		0		(56)
Midlothian Council		(4)		(9)
Scottish Borders Council		(112)		0
Edinburgh Tram Ltd.		0		(17)
Edinburgh Tourist Board		0		(233)
Total		**(70,533)**		**(69,399)**

38. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure

	2015/16 £000	2014/15 £000
● Revenue Expenditure		
Capital City Partnership	4,056	4,249
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	152	220
Changeworks Recycling	0	7
Edinburgh Festival Theatres	800	771
Edinburgh Leisure Limited		
Revenue funding	8,419	9,590
Other expenditure	52	303
Edinburgh Trams Ltd	688	2,851
Edinburgh World Heritage Trust	58	49
Integration Joint Board	54	0
Lothian Buses Limited		
Supported bus services	891	840
Other expenditure	1,457	3,954
NHS Bodies	2,294	2,398
Other Local Authorities	2,995	2,638
Scottish Government	163	171
Scottish and Southern Energy	111	264
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	678	747
Dean and Cauvin Charitable Trust	817	837
Edinburgh International Festival Society	2,409	2,506
Festivals Edinburgh Ltd	178	175
Handicab	448	448
Health Projects	151	156
Lifecare Edinburgh	342	539
Marketing Edinburgh	953	977
Royal Lyceum Theatre Co Ltd	369	382
Total Revenue Expenditure	**28,535**	**35,072**
● Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(221)	(196)
Edinburgh Festival Theatres	(149)	(59)
Professional services, rents, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(18)	(1)
Edinburgh Leisure	(17)	(6)
Lothian Valuation Joint Board	(8)	(5)
Other Local Authorities	(1,095)	(2,971)
Scottish Government	(404)	(588)
Scottish Court Service	0	70
Lothian Health Board		
Change Fund	(5,881)	(2,065)
Resource transfers	(21,499)	(21,077)
Other Grants and Fees	(91)	(384)
Total Revenue Income	**(29,383)**	**(27,282)**

38. Related Parties - continued

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure - continued

	2015/16 £000	2014/15 £000
● Joint Board Requisitions		
Lothian Valuation Joint Board	3,744	3,745
Total Joint Board Requisitions	**3,744**	**3,745**
● Central Support Income		
Forth Estuary Transport Authority	(30)	(109)
Lothian Valuation Joint Board	(61)	(65)
Pension Funds	(279)	(322)
Total Central Support Income	**(370)**	**(496)**
● Interest on Revenue Balances		
Forth Estuary Transport Authority	0	(11)
Lothian Valuation Joint Board	3	3
Pension Funds	33	22
SESTRAN	0	(1)
Total Interest on Revenue Balances	**36**	**13**
● Loans Charges Recovered		
Lothian and Borders Fire and Rescue Board	(1,306)	(1,503)
Lothian and Borders Police Board	(3,060)	(3,130)
Total Loans Charges	**(4,366)**	**(4,633)**

38.2 Subsidiaries and Other Organisations - Capital Expenditure

	2015/16 £000	2014/15 £000
● Capital Expenditure		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	2,021	1,334
Edinburgh Leisure	165	165
Hubco	15,773	4,468
Other Local Authorities	1,163	2,320
Scottish Government	5,565	261
Sport Scotland	0	151
Total Capital Expenditure	**24,687**	**8,699**

38. Related Parties - continued

38.3 Related Parties - Indebtedness

The following represent material amounts due to / (by) the Council, at 31 March 2016:

	2015/16 £000	2014/15 £000
CEC Holdings Limited (including all subsidiaries)	(542)	(169)
Edinburgh Military Tattoo	52	0
Forth Estuary Transport Authority	0	509
Hubco	(310)	(770)
Integration Joint Board	(3)	0
Lothian and Borders Criminal Justice Authority	227	2,599
Scottish Fire and Rescue Service	676	1,228
Police Scotland	37	48
Lothian Valuation Joint Board	(1,302)	(1,233)
Lothian Buses	14	0
NHS Bodies	1,411	540
Pension Funds	(1,981)	(6,361)
Scottish Government	14,006	7,079
Scottish Water	70	70
SESTRAN	613	1,090
SUSTRANS	872	710
Transport Scotland	0	422
	13,840	**5,762**
• **Other Indebtedness**		
HM Revenue and Customs - VAT	8,089	8,879
HM Revenue and Customs - PAYE and NI	(9,035)	(9,397)
	(946)	**(518)**
• **Investments held on behalf of, and repayable to:**		
CEC Holdings	0	(120)
Common Good	0	(2,756)
	0	**(2,876)**

In 2014/15, cash investments managed on behalf of CEC Holdings and the Common Good Fund as part of the Council's Treasury Cash Fund arrangements, were shown in the Council's accounts as both investments and creditors. Separate Treasury Cash Fund investment management agreements are now held for both entities, the cash investments are therefore no longer shown on the Council's balance sheet as either investments or creditors.

The Common Good Fund position is detailed in the Common Good Fund Balance Sheet (page 133).

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2015/16		2014/15	
	£000	£000	£000	£000
Opening capital financing requirement		1,726,030		1,728,465
Capital Investment				
Property, plant and equipment	149,880		149,626	
Heritage Assets	40		44	
Assets held for sale	223		117	
Intangible assets	0		2,372	
Capital Receipts transferred to Capital Fund	55,141		11,298	
National Housing Trust - Consent to borrow (see note 34.3)	1,498		9,696	
Revenue expenditure funded from capital under statute	38,846		32,641	
Adjustments to PPP schools during the year	(9,195)		12,610	
		236,433		218,404
Sources of Finance				
Capital receipts	(116,763)		(21,479)	
Capital Funded from Current Revenue	(215)		(5,674)	
Government grants and other contributions	(116,901)		(99,372)	
Loans fund / finance lease repayments	(95,763)		(94,314)	
		(329,642)		(220,839)
Closing capital financing requirement		1,632,821		1,726,030
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(83,209)		(37,331)
Voluntary debt repayment - HRA		(10,000)		(6,123)
Assets acquired under finance leases		0		7,172
Assets acquired under PFI/PPP contracts		0		33,847
(Decrease) / Increase in capital financing requirement		(93,209)		(2,435)

NOTES TO THE FINANCIAL STATEMENTS

40. Leases

40.1 Assets Leased in - Finance Leases

The Council has classified one building and its IT equipment as finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	12,658	9,523	13,768	8,011
Additions during the year	0	0	7,172	7,172
Reclassification to operating lease during the year	0	0	(2,840)	(2,840)
Repayments during the year	(5,278)	(2,816)	(5,442)	(2,820)
Value at 31 March	7,380	6,707	12,658	9,523
Other land and buildings	63	63	126	126
Vehicles, plant, equipment and furniture	7,317	6,644	12,532	9,397
Value at 31 March	7,380	6,707	12,658	9,523

The Council is committed to making minimum lease payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are shown below:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	3,310	2,797	5,275	2,816
Non-current	4,070	3,910	7,383	6,707
Finance costs payable	531	531	751	751
Minimum lease payments	7,911	7,238	13,409	10,274

The minimum lease payments will be payable over the following periods:

Minimum Finance Lease Repayments	at 31.03.16		at 31.03.15	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	3,528	3,015	5,495	3,036
Later than one year and not later than five years	4,383	4,223	7,914	7,238
Later than five years	0	0	0	0
	7,911	7,238	13,409	10,274

Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	3,310	2,797	5,275	2,816
Later than one year and not later than five years	4,070	3,910	7,383	6,707
Later than five years	0	0	0	0
	7,380	6,707	12,658	9,523

40. Leases - continued

40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment financed under the terms of operating leases. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

In 2015/16, the Council revised its car leasing scheme which it now operates in association with an external provider. The amounts recognised as an expense during the year include £0.047m of contributions paid by employees towards cost of car leasing (2014/15 £0.277m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.030m is recoverable from employees (2014/15 £0.362m):

			(re-stated)	
	2015/16		2014/15	
	Group	Council	Group	Council
Future Repayment Period	£000	£000	£000	£000
Not later than one year	2,467	2,074	2,484	2,081
Later than one year and not later than five years	5,402	4,350	7,026	5,823
Later than five years	6,755	5,286	7,842	6,164
	14,624	**11,710**	**17,352**	**14,068**
Value at 31 March				
Other land and buildings	13,613	11,598	15,532	13,355
Vehicles, plant, equipment and furniture	1,011	112	1,820	713
	14,624	**11,710**	**17,352**	**14,068**
Recognised as an expense during the year	2,470	2,094	2,875	2,454

40.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2015/16	2014/15
	£000	£000
Not later than one year	14,625	14,116
Later than one year and not later than five years	41,975	41,346
Later than five years	151,887	157,676
	208,487	213,138

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

41. Public Private Partnerships and Similar Contracts

41.1 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a high standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespies High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. Construction of the new facility is phased, with the initial phase (comprising the main teaching block) being completed in April 2015, and final phases (including sports hall, social / assembly buildings) due for completion in July 2016. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2016/17	16,818	8,016	18,629	43,463
Payable within two to five years	76,156	32,552	72,497	181,205
Payable within six to ten years	117,530	41,212	81,867	240,609
Payable within eleven to fifteen years	134,421	51,495	71,495	257,411
Payable within sixteen to twenty years	113,926	54,881	52,800	221,607
Payable within twenty one to twenty five years	45,038	30,824	18,634	94,496
Payable within twenty six to thirty years	185	913	112	1,210
	504,074	219,893	316,034	1,040,001

Payments due under the following schemes have been inflated by 1.11% per annum for the PPP1 scheme, 1.67% per annum for the PPP2 scheme and 2.5% per annum for the James Gillespies High School scheme, reflecting the terms of the separate contracts.

The amounts disclosed as reimbursement of capital expenditure are included in other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate the providers for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2015/16 £000	2014/15 £000
Balance at 1 April	227,802	200,831
PPP unitary charge restatement adjustment	0	64
Additions during the year	0	33,847
Repayments during the year	(7,909)	(6,940)
Balance at 31 March	219,893	227,802

41. Public Private Partnerships and Similar Contracts - continued

41.2 Provision of Information Technology services

In 2015 the Council entered into a seven year contract for the provision of information technology services. This contract became operational on 1 April 2016.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown). The repayments during the first year of the contract include up to £15m of one off costs.

Future Repayment Period	£000	Inflationary Uplift
2016/17	37,139	2.0%
2017/18 - 2020/21	88,488	2.0%
2021/22 - 2022/23	38,039	2.0%
	163,666	

The cost of information technology is included in overheads and is re-allocated to services.

41.3 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period.

Under the agreement the Council is committed to paying the following sums in cash terms: (renegotiated annually)

Future Repayment Period	£000
2016/17	5,761
2017/18 - 2019/20	14,401
	20,162

41.4 Waste Disposal

The Council entered into a twenty year contract with Viridor in 2000 to supply waste to their landfill site in Dunbar. The contract requires the Council to supply an agreed tonnage to the landfill site each calendar year. Fees are subject to review twice a year, based on civil engineering indices.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an increase of 2% per annum):

Future Repayment Period	£000
2016/17	3,538
2017/18 - 2020/21	12,631
	16,169

41.5 Food Waste Contract

In 2015 the Council entered into a twenty year contract with Alauna Renewable Energy to supply food waste treatment at Millerhill from 1 April 2016.

Future Repayment Period	£000	Inflationary Uplift
2016/17	309	**2.50%**
2017/18 - 2020/21	2,156	**2.50%**
2021/22 - 2025/26	2,896	**2.50%**
2026/27 - 2030/31	3,136	**2.50%**
2031/32 - 2035/36	3,406	**2.50%**
	11,903	

41.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £19.443m.

42. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2015/16		2014/15	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	19,715		18,335	
As a percentage of teachers' pensionable pay		17.20		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2014/15	19,296		21,123	

At 31 March 2016, creditors include £2.733m (2014/15 £2.487m) in respect of teachers' superannuation. The increase in the percentage of teachers' pensionable pay came into effect in September 2015.

43. Defined Pension Schemes

43.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme, in 2015/16 the Council paid an employer's contribution of £55.446m (2014/15 £54.843m) into the Lothian Pension Fund, representing 21.3% (2014/15 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The latest review was in March 2014.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued
43.2 Transactions Relating to Post-Employment Benefits - continued

	2015/16		2014/15	
Comprehensive Income and Expenditure Statement	**£000**	**£000**	**£000**	**£000**
Cost of services:				
Service cost, comprising:				
Current service costs	82,023		72,084	
Past service costs	2,087		744	
Effect of Settlements	(159)		0	
		83,951		72,828
Financing and investment income:				
Net interest expense		23,445		23,254
Total post employee benefit charged to the surplus on the provision of services		107,396		96,082
Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(37,286)		(204,649)	
Actuarial (gains) and losses arising on changes in financial assumptions	(253,389)		284,632	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		103,126	
Other experience	(32,463)		(26,361)	
		(323,138)		156,748
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		(215,742)		252,830
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		288,029		(191,471)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		66,297		55,002
Contributions in respect of unfunded benefits		5,990		6,357
		72,287		61,359

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	2015/16 £000	2014/15 £000
Fair value of employer assets	2,247,877	2,144,897
Present value of funded liabilities	(2,605,380)	(2,782,482)
Present value of unfunded liabilities	(81,437)	(89,384)
Net liability arising from defined benefit obligation	(438,940)	(726,969)

43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	2,144,897	1,862,816
Effect of settlements	(1,917)	0
Interest income	68,568	79,991
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	37,286	204,649
Contributions from employer	66,297	55,002
Contributions from employees into the scheme	16,502	16,416
Contributions in respect of unfunded benefits	5,990	6,357
Benefits paid	(83,756)	(73,977)
Unfunded benefits paid	(5,990)	(6,357)
Closing fair value of scheme assets	2,247,877	2,144,897

Reconciliation of Present Value of the Scheme Liabilities	2015/16 £000	2014/15 £000
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	(89,384)	(86,924)
Opening balance at 1 April	(2,871,866)	(2,398,314)
Current service cost	(82,023)	(72,084)
Interest cost	(92,013)	(103,245)
Contributions from employees into the scheme	(16,502)	(16,416)
Re-measurement gain / (loss):		
Change in financial assumptions	253,389	(284,632)
Change in demographic assumptions	0	(103,126)
Other experience	32,463	26,361
Past service cost	(2,087)	(744)
Effects of settlements	2,076	0
Benefits paid	83,756	73,977
Unfunded benefits paid	5,990	6,357
Closing balance at 31 March	(2,686,817)	(2,871,866)

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2015/16 £000	%	2014/15 £000	%
Consumer *	342,338	15	300,827	14
Manufacturing *	265,121	12	252,298	12
Energy and Utilities *	178,558	8	214,314	10
Financial Institutions *	190,391	8	176,717	8
Health and Care *	149,425	7	146,156	7
Information technology *	134,677	6	134,141	6
Other *	128,664	6	96,065	4
Sub-total Equity Securities	1,389,174		1,320,518	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (non-investment grade) *	0	0	0	0
UK Government *	144,656	6	124,200	6
Other *	56,864	3	52,894	3
Sub-total Debt Securities	201,520		177,094	
Private Equity				
All *	25,228	1	0	0
All	73,078	3	248,710	12
Sub-total Private Equity	98,306		248,710	
Real Estate:				
UK Property	192,281	9	140,297	7
Overseas Property	0	0	21,751	1
Sub-total Real Estate	192,281		162,048	
Investment Funds and Unit Trusts:				
Equities *	0	0	23,272	1
Equities	0	0	0	0
Bonds *	6,032	0	6,161	0
Bonds	12,180	1	0	0
Commodities *	6,235	0	6,854	0
Infrastructure *	12,509	1	12,898	1
Infrastructure	136,998	6	0	0
Other *	0	0	6,933	0
Other	53,855	2	7,662	0
Sub-total Investment Funds and Unit Trusts	227,809		63,780	
Derivatives:				
Foreign Exchange *	(130)	0	3,289	0
Other *	0	0	0	0
Sub-total Derivatives	(130)		3,289	
Cash and Cash Equivalents				
All *	138,917	6	169,458	8
Sub-total Cash and Cash Equivalents	138,917		169,458	
Total Fair Value of Employer Assets	2,247,877	100	2,144,897	100

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

43. Defined Pension Schemes - continued

43.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2016 were those from the beginning of the year (i.e. 31 March 2015) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2015 to 31 December 2015	1.30%
Estimated return for period from 1 April 2015 to 31 March 2016	4.90%

Average future life expectancies at age 65:		**31.03.16**	**31.03.15**
Current pensioners	male	22.1 years	22.1 years
Current pensioners	female	23.7 years	23.7 years
Future pensioners	male	24.2 years	24.2 years
Future pensioners	female	26.3 years	26.3 years

	Weighted Average Duration			
	Short	**Medium**	**Long**	
Period ended	**31.03.16**	**31.03.16**	**31.03.16**	**31.03.15**
Pension increase rate	2.1%	2.2%	2.2%	2.4%
Retail Price Index (Salary increase rate 31.3.15)	3.1%	3.2%	3.2%	4.3%
Discount rate	3.4%	3.5%	3.6%	3.2%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2016	**Approximate % Increase to Employer**	**Approximate Monetary Amount £000**
0.5% decrease in Real Discount Rate	10%	271,586
1 year increase in member life expectancy	3%	80,604
0.5% increase in the Salary Increase Rate	3%	89,601
0.5% increase in the Pension Increase Rate	7%	176,900

43.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

43. Defined Pension Schemes - continued

43.8 Information about the defined benefit obligation

	Liability Split £000	%	Weighted Average Duration
Active members	1,434,118	55.1	23.1
Deferred members	297,842	11.4	22.4
Pensioner members	873,420	33.5	11.9
Total	2,605,380	100.0	18.3

The above figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2014.

The unfunded pensioner liability at 31 March 2016 comprises approximately £62.141m (2014/15 £68.26m) in respect of LGPS unfunded pensions and £19.296m (2014/15 £21.123m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

43.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

Unusable Reserves	2015/16 Pension Reserve £000	2014/15 Pension Reserve £000
Council	(438,940)	(726,969)
Lothian Valuation Joint Board	(3,820)	(7,267)
	(442,760)	(734,236)

Usable Reserves	2015/16 £000	2014/15 £000
CEC Holdings	(1,010)	(1,483)
Festival City Theatres Trust	(75)	(122)
Edinburgh Leisure	(844)	(3,363)
Transport for Edinburgh Ltd	17,936	(10,497)
	16,007	(15,465)

43. Defined Pension Schemes - continued

43.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2017

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	70,548	70,548	(26.8%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	70,548	70,548	(26.8%)
Interest income on plan assets	78,519	0	78,519	29.9%
Interest cost on defined benefit obligation	0	(94,032)	(94,032)	(35.8%)
Total Net Interest Cost	78,519	(94,032)	(15,513)	(5.9%)
Total included in Profit or Loss	78,519	(23,484)	55,035	(32.7%)

The Council's estimated contribution to Lothian Pension Fund for 2016/17 is £55.906m.

43.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £7.994m, including accrued payments (2014/15 £2.705m).

43.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Chief Executive Officer, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

44. Contingent Liabilities

44.1 Contingent Liabilities

- There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

- The provision for equal pay claims includes an estimate of the costs for all staff with unsettled equal pay claims against the Council as at 31 March 2016. Additional equal pay liabilities may arise if further eligible claims are made. This potential additional liability will be confirmed only by further eligible claims being lodged and its amount cannot be estimated with reasonable accuracy. Consequently, no provision has been made in the financial statements in respect of this.

- Whilst the Council has made an impairment provision for statutory repairs debtors, there may also be further liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.

- There may be claims submitted against the Council in relation to a decision by the European Court of Justice under the Working Time Directive. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

45. Nature and Extent of Risks Arising from Financial Instruments

45.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:

  the Council's overall borrowing;

  its maximum and minimum exposures to fixed and variable rates;

  its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 10 March 2016 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2016/17 has been set at £1.818bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2016/17 has been set at £1.718bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% of the Council's net debt respectively.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

45.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

45.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31 March 2016, the Council had £13.0m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 41.4% were loans to other local authorities, a further 21.4% were UK Government Treasury Bills, 14.4% was held in two AAA rated Money Market Funds, leaving only 22.8% with banks. All of the monies held on deposit with banks at 31 March 2016 was in call or near call accounts.

The Council's cash holding under its treasury management arrangements at 31 March 2016 was £192.5 million (31 March 2015: £96.4m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.16 £000	Carry Value 31.03.16 £000	Fair Value 31.03.16 £000	Carry Value 31.03.15 £000
Money Market Funds					
Deutsche Bank AG, London	AAA	25,661	25,672	25,672	14,152
Goldman Sachs	AAA	181	183	183	14,135
Bank Call Accounts					
Bank of Scotland	A	12,603	12,608	12,608	9,108
Royal Bank of Scotland	BBB+	2,042	2,042	2,042	1,278
Santander UK	A	16	16	16	8,839
Barclays Bank	A-	13,025	13,048	13,048	9,238
Svenska Handelsbanken	AA-	13,284	13,295	13,295	14,373
Clydesdale Bank	AA-	0	0	0	3,736
HSBC Bank Plc	AA-	19	19	19	14,061
Floating Rate Note					
Rabobank	A+	0	0	0	2,509
Building Society Fixed Term Deposits					
Nationwide Building Society	A	0	0	0	2,491
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	87,295	87,350	89,357	0
UK Government Treasury Bills	AAA	38,364	38,455	38,455	2,490
		192,490	192,688	194,695	96,410

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 would have been 'AAA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating, but of the £87.35m above, £5.93m is with a local authority which had an 'Aa2' credit rating from Moodys.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £41.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. Despite continuing concerns over the European Sovereign Debt crisis and the effects that this might have on the banking system, there was no evidence at 31 March 2016 that this risk was likely to crystallise.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council has never had any exposure to Icelandic banks and had no investment in the sector at that time.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2016 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2016 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2016. This is available on request from the Council's Treasury Section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.769m (2014/15 £1.767m), trade debtors past due date can be analysed by age as follows:

	2015/16	2014/15
	£000	£000
Less than two months	13,163	18,283
Two to four months	1,055	2,008
Four to six months	786	2,066
Six months to one year	4,088	2,849
More than one year	10,886	11,093
Total	29,978	36,299

Collateral – During the reporting period the Council held no collateral as security.

45.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. It is anticipated that some short to medium term borrowing is likely to be required within the next financial year to meet cashflow and working capital requirements. This will be managed as part of the Council's short- and medium-term cashflow monitoring as required.

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

45.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 45.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.5 Re-financing and Maturity Risk - continued

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. However, with the increase in borrowing rates announced in the Government's Comprehensive Spending Review in October 2010, it is now unlikely that there will be much scope for any substantial debt rescheduling.

The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

	2015/16 £000	2014/15 £000
Less than one year	(80,656)	(75,077)
Between one and two years	(66,155)	(65,227)
Between two and five years	(188,770)	(188,310)
Between five and ten years	(264,343)	(260,587)
More than ten years	(996,419)	(1,063,998)
Financial Liabilities	(1,596,343)	(1,653,199)

All trade and other payables are due to be paid in less than one year and trade creditors of £15.277m (2014/15 £18.597m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.513m (2014/15 £17.854m) nor net equivalent interest rate (EIR) adjustments of £8.954m (2014/15 £9.041m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investment which the Council has with a maturity of greater than one year is £4.6m in EDI loan stock.

45.6 Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

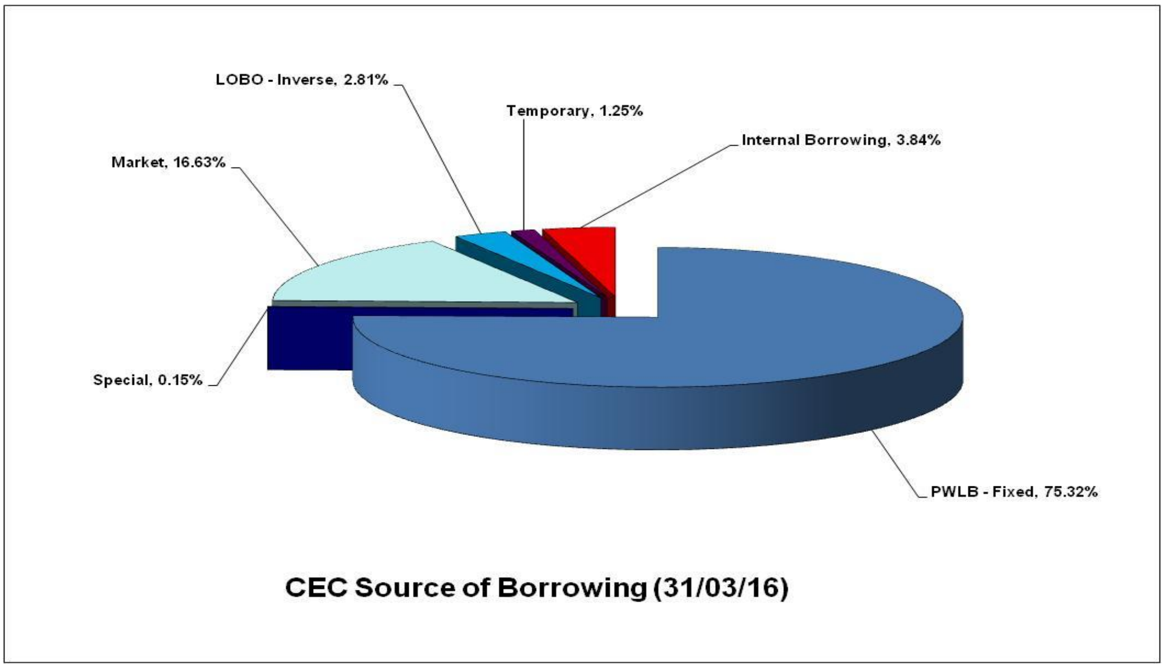
Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.6 Market risk - continued

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £23.474m (2014/15 £23.511m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BID). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket, Queensferry Ambition and Edinburgh's West End.

	2015/16 £000	2014/15 £000
Monies to be recovered from ratepayers at 1 April	190	29
BID Levy Income	3,637	2,389
Less: Payments made / due to schemes	(3,478)	(2,228)
Monies still to be recovered from ratepayers at 31 March	349	190

The monies raised through the BIDs are used to fund activities around similar key themes, including:

- area promotion - advertising, marketing and events
- clean and attractive area - cleaning teams, floral displays, street décor, cleanliness surveys
- safe and secure area - CCTV, improved lighting, transport marshals
- accessibility - pedestrian friendly environment, parking promotions, signage; and
- business initiatives - grants, skills partnerships, start up advice

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to seven. In 2011/12, 28 charities were consolidated into one new charity, the Edinburgh Education Trust.

47.1 Purpose, and financial position, of the largest of the charitable funds

- **Jean F. Watson Bequest (Scottish Charity Reg. No. SC018971)**

  The purpose of the fund is to purchase works of art by artists who have connections with the city.

The financial results of the fund are as follows:	**31.03.16 £000**	**31.03.15 £000**
Income	(27)	(25)
Expenditure	7	1
Assets	6,173	6,198
Liabilities	0	0

- **Lauriston Castle (Scottish Charity Reg. No. SC020737)**

  The purpose of the fund is for the advancement of arts, heritage and culture linked to Lauriston Castle.

The financial results of the fund are as follows:	**31.03.16 £000**	**31.03.15 £000**
Income	(1)	(1)
Expenditure	1	1
Assets	7,039	7,041
Liabilities	0	0

- **Edinburgh Education Trust (Scottish Charity Reg No SC042754)**

  The purposes of the Trust include the advancement of education, citizenship and community development, and the organisation of recreational activities.

The financial results of the fund are as follows:	**31.03.16 £000**	**31.03.15 £000**
Income	(21)	(21)
Expenditure	17	5
Assets	852	886
Liabilities	0	0

47.2 The funds are:

Scottish Registered Charities	**Scottish Charity Registration Number**	**Market Value 31.03.16 £000**	**Market Value 31.03.15 £000**
Lauriston Castle	SC020737	7,039	7,041
Jean F. Watson	SC018971	6,173	6,198
Edinburgh Education Trust	SC042754	852	886
Nelson Halls	SC018946	214	224
Boyd Anderson	SC025067	118	120
Usher Hall Appeal	SC030180	68	70
Royal Scots Memorial Trust	SC018945	30	33
Total market value		14,494	14,572

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.3 Financial Position of the Scottish Registered Charity Funds

2014/15 £000	Income and Expenditure Account	2015/16 £000
	Income	
(64)	Investment income	(54)
0	Other non-investment income	(2)
(64)		(56)
	Expenditure	
10	Prizes, awards and other expenses	24
9	Governance Costs	13
19		37
(45)	Surplus for the year	(19)

2014/15 £000	Balance Sheet	2015/16 £000
	Long-Term Assets	
1,940	Investments	1,843
5,232	Artworks - Jean Watson Trust	5,232
7,020	Heritable property	7,020
14,192	**Total Long-Term Assets**	14,095
	Current Assets	
413	Cash and bank	420
413		420
	Current Liabilities	
(33)	Creditors	(21)
(33)		(21)
14,572	**Total Assets less Liabilities**	14,494
	Funds	
4,301	Capital at 1 April	3,194
45	Surplus for the year	19
140	Realised and unrealised gains on investments	0
0	Realised and unrealised losses on investments	(97)
(1,292)	Surplus Fire Fund Transfer to EVOT	0
3,194		3,116
11,378	Revaluation reserve	11,378
14,572	**Funds at 31 March**	14,494

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Finance Division - Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

47. The City of Edinburgh Council Charitable Funds - continued

47.4 Financial Position of Other Funds

2014/15	Income and Expenditure Account	2015/16
£000	**Income**	£000
0	Investment income	0
0		0
	Expenditure	
1	Administrative expenses	1
1		1
1	(Surplus) / Deficit for the year	1

Re-stated 2014/15	Balance Sheet	2015/16
£000	**Current Assets**	£000
48	Cash and bank	45
48		45
	Current Liabilities	
(3)	Balance with City of Edinburgh Council	(1)
(3)		(1)
45	**Total Assets less Liabilities**	44
46	**Capital at 1 April**	45
(1)	Deficit for the year	(1)
0	Compensation fund paid	0
45	**Capital at 31 March**	44

48. Scottish Cities Alliance

The Scottish Cities Alliance was created in 2012 to promote collaboration between Scotland's cities and the Scottish Government to grow city economies, create jobs and deliver benefits across the country. Total Scottish Government investment funding of £7m has been provided to take forward a range of relevant initiatives. The Council undertakes, on an agency basis, the associated financial administration. During the year, £0.9m was paid out to the respective lead authorities of the projects concerned.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		4,819		6,045
Contribution from Scottish Government		90		90
Investment income		17		21
Less: Payments made:				
Aberdeen City Council	(4)		(64)	
City of Edinburgh Council	(4)		(749)	
Dundee City Council	0		(140)	
Glasgow City Council	(409)		(367)	
Highland Council	(37)		(15)	
Perth and Kinross Council	(102)		(2)	
Stirling Council	(344)		0	
		(900)		(1,337)
Contribution to SCDI				
2014/15	(90)		0	
2015/16	(90)		0	
		(180)		0
Balance as at 31 March		**3,846**		**4,819**

As of April 2016, the Alliance had approved total project funding allocations of £4.66m (£3.96m April 2015), covering a range of initiatives spanning the areas of Infrastructure, Investment Promotion, Low Carbon and Smart Cities.

49. Prior Period Adjustments

49.1 The following prior period adjustments have been made. The changes are adopted retrospectively for the prior period 2014/15, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

- **Re-categorisation of long-term debtors**
  Monies advanced to assist buyers purchase homes from PARC under the shared equity scheme had been netted against the capital adjustment account. A prior year adjustment has been made to record these as long-term debtors.

  Monies advanced to home owners to assist with property repairs, previously administered on behalf of the Council, have now been recorded in long-term debtors.
- **Re-statement of housing rent**
  A prior year adjustment has been made to record an understatement of HRA rental income. This has now been recorded as debtors and adjusted in the transfer to the Renewal and Repairs reserve.
- **Re-classification of creditor**
  Monies advanced as a contribution towards the construction of the Atria. A prior year adjustment has been made to record this as a creditor.

Group Account Changes

- **Lothian Valuation Joint Board - Re-categorisation of Creditor balance**
  The Board previously carried forward unspent requisitions in the form of a creditor balance which was contrary to the Valuation Joint Boards (Scotland) Order 1995. Within the Group accounts these are included in Liabilities in Associates and Joint Ventures.
  Unspent requisition balances have now been recorded in the form of a usable reserve.

49.2 Impact on Financial Statements

Movement in Reserves Statement	**2014/15 Statements £000**	**L-T Debtors £000**	**Housing Rent £000**	**Creditor £000**	**Lothian Valuation Board £000**	**2014/15 Re-stated £000**
Balance at 31 March 2014						
General Fund Balance	123,309	1	0	0	0	123,310
Renewal and Repairs Fund	21,936	0	568	0	0	22,504
Capital Fund	25,835	0	0	(3,456)	0	22,379
Council's Total Usable Reserves	173,074	1	568	(3,456)	0	170,187
Group Usable Reserves	23,192	0	0	0	258	23,450
Total Usable Reserves	196,266	1	568	(3,456)	258	193,637
Council's Unusable Reserves	1,612,466	1,246	0	(5,915)	0	1,607,797
Total Reserves	1,917,681	1,246	568	(9,370)	258	1,910,383
Surplus on (deficit) on provision of service						
General Fund Balance	(4,301)	47	0	(750)	0	(5,004)
HRA Balance	17,476	0	461	0	0	17,937
Council's Total Usable Reserves	13,175	47	461	(750)	0	12,933
Group Usable Reserves	6,350	0	0	0	108	6,458
Total Usable Reserves	19,525	47	461	(750)	108	19,391
Total Reserves	19,525	47	461	(750)	108	19,391
Transfers (to) / from other statutory reserves						
General Fund Balance	(9,161)	0	0	750	0	(8,411)
HRA Balance	(2,503)	0	(461)	0	0	(2,964)
Renewal and Repairs Fund	12,868	0	461	0	0	13,329
Capital Fund	(1,206)	0	0	(750)	0	(1,956)

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Movement in Reserves Statement - continued	**2014/15 Statements £000**	**L-T Debtors £000**	**Housing Rent £000**	**Creditor £000**	**2014/15 Re-stated £000**
Balance at 31 March 2015					
General Fund	117,476	48	0	0	117,524
Renewal and Repairs Fund	34,804	0	1,029	0	35,833
Capital Fund	35,927	0	0	(4,206)	31,721
Council's Total Usable Reserves	192,556	48	1,029	(4,206)	189,427
Council's Unusable Reserves	1,453,756	1,246	0	(5,915)	1,449,087

Group Comprehensive Income and Expenditure Statement	**2014/15 Statements £000**	**Council Adjustment (see below) £000**	**Lothian Valuation Board £000**	**2014/15 Re-stated £000**
Housing Revenue Account	(32,830)	(461)	0	(33,291)
Associates and Joint Ventures Accounted for on an Equity Basis	1,966	0	(108)	1,858
Cost of Services	925,098	(461)	(108)	924,529
Financing and investment income	91,300	703	0	92,003
Surplus on provision of service	(19,525)	242	(108)	(19,391)
Total Comprehensive Expenditure	162,456	242	(108)	162,590

Council Comprehensive Income and Expenditure Statement	**2014/15 Statements £000**	**L-T Debtors £000**	**Housing Rent £000**	**Creditor £000**	**2014/15 Re-stated £000**
Housing Revenue Account	(32,830)	0	(461)	0	(33,291)
Cost of Services	932,710	0	(461)	0	932,249
Financing and investment income	91,625	(47)	0	750	92,328
Surplus on provision of service	(13,175)	(47)	(461)	750	(12,933)
Total Comprehensive Expenditure	139,228	(47)	(461)	750	139,470

49. Prior Period Adjustments - continued
49.2 Impact on Financial Statements - continued

Group Balance Sheet Statement	2014/15 Statements £000	Council Adjustment (see below) £000	Lothian Valuation Board £000	2014/15 Re-stated £000
Long-term assets				
- Long-term debtors	113,146	1,893	0	115,039
Current assets				
- Short-term debtors	82,940	430	0	83,370
Current liabilities				
- Short-term creditors	(169,986)	(10,121)	0	(180,107)
Long-term liabilities				
- Liabilities in Associates / Joint Ventures	(9,087)	0	364	(8,723)
Net assets	1,755,227	(7,798)	364	1,747,793
Revaluation Reserve	911,395	(5,509)	0	905,886
Capital Adjustment Account	1,339,227	840	0	1,340,067
Unusable Reserves	1,552,863	(4,669)	0	1,548,194
Capital Fund	35,927	(4,206)	0	31,721
Renewal and Repairs Fund	34,804	1,029	0	35,833
General Fund	117,476	48	0	117,524
Group Usable Reserves	9,808	0	364	10,172
Usable Reserves	202,364	(3,129)	364	199,599
Total reserves	1,755,227	(7,798)	364	1,747,793

Council Balance Sheet Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	2014/15 Re-stated £000
Long-term assets					
- Long-term debtors	116,646	1,294	599	0	118,539
Current assets					
- Short-term debtors	69,751	0	430	0	70,181
Current liabilities					
- Short-term creditors	(141,325)	0	0	(10,121)	(151,446)
Net assets	1,646,312	1,294	1,029	(10,121)	1,638,514
Revaluation Reserve	911,395	0	0	(5,509)	905,886
Capital Adjustment Account	1,339,227	1,246	0	(406)	1,340,067
Unusable Reserves	1,453,756	1,246	0	(5,915)	1,449,087
Capital Fund	35,927	0	0	(4,206)	31,721
Renewal and Repairs Fund	34,804	0	1,029	0	35,833
General Fund	117,476	48	0	0	117,524
Usable Reserves	192,556	48	1,029	(4,206)	189,427
Total reserves	1,646,312	1,294	1,029	(10,121)	1,638,514

49. Prior Period Adjustments - continued
49.2 Impact on Financial Statements - continued

Group Cash Flow Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	L-T Creditor £000	2014/15 Re-stated £000
Operating activities					
- Interest and investment income received	(11,680)	(47)	0	749	(10,978)
Cash inflows form operating activities	(1,937,399)	(47)	0	749	(1,936,697)
- Cash paid to suppliers of goods and services	750,951	0	0	(749)	750,202
Cash outflows from operating activites	1,700,462	0	0	(749)	1,699,713
Net cash flows from operating activities	(236,937)	(47)	0	0	(236,984)
Investing activites					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	183,055	47	0	0	183,102

Council Cash Flow Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	L-T Creditor £000	2014/15 Re-stated £000
Operating activities					
- Interest and investment income received	(11,450)	(47)	0	749	(10,748)
Cash inflows form operating activities	(1,780,277)	(47)	0	749	(1,779,575)
- Cash paid to suppliers of goods and services	695,545	0	0	(749)	694,796
Cash outflows from operating activites	1,565,249	0	0	(749)	1,564,500
Net cash flows from operating activities	(215,028)	(47)	0	0	(215,075)
Investing activites					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	159,177	47	0	0	159,224

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT
for the year ended 31 March 2016

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

(re-stated) 2014/15 £000		2015/16 £000	£000
	EXPENDITURE		
27,256	Repairs and maintenance	27,765	
21,453	Supervision and management	26,132	
18,266	Depreciation and impairment of non-current assets	23,285	
5,719	Other expenditure	5,609	
1,325	Impairment of debtors	1,073	
74,019			83,864
	INCOME		
(91,301)	Dwelling rents	(93,015)	
(377)	Non-Dwelling rents (gross)	(467)	
(15,632)	Other income	(17,102)	
(107,310)			(110,584)
(33,291)	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(26,720)
319	HRA share of corporate and democratic core		274
72	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,005
(32,900)	Net expenditure / (income) for HRA Services		(25,441)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
307	(Gain) / loss on sale of HRA fixed assets	(2,247)	
18,936	Interest payable and similar charges	19,021	
2,434	Interest cost on defined benefit obligation *(pension-related)*	2,494	
(81)	Interest and investment income	(98)	
(1,886)	Interest income on plan assets *(pension-related)*	(1,858)	
(4,747)	Capital grants and contributions	(7,439)	
14,963			9,873
(17,937)	Surplus for the year on HRA services		(15,568)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

(re-stated) 2014/15 £000		2015/16 £000
0	Balance on the HRA at the end of the previous year	0
17,937	Surplus for the year on the HRA Income and Exp Account	15,568
(14,973)	Adjustments between accounting basis and funding basis under statute	(13,312)
2,964	**Net increase before transfers to reserves**	2,256
(2,964)	Contribution to renewal and repairs fund, via the General Fund	(2,256)
0	**Balance on the HRA at the end of the current year**	0

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
18,266	Charges for depreciation and impairment of non-current assets	23,285
(4,747)	Capital grants and contributions applied	(7,439)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(23,123)	Statutory provision for the financing of capital investment	(27,328)
(5,649)	Capital funded from revenue	0
	Adjustments primarily involving the Capital Receipts Reserve	
307	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,247)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(460)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(488)
	Adjustments primarily involving the Pensions Reserve	
1,081	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,676
(426)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,693)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(222)	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(78)
(14,973)		(13,312)

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2016 are as follows:

	2016		**2015**	
Types of Houses	**Number**	**Annual Average Rent (£)**	**Number**	**Annual Average Rent (£)**
Main provision Council dwellings				
1 Apartment	302	3,726.00	302	3,653.00
2 Apartment	5,459	4,177.00	5,473	4,100.00
3 Apartment	10,145	4,842.00	10,184	4,752.00
4 Apartment	3,426	5,579.00	3,458	5,473.00
5 Apartment	516	6,015.00	521	5,891.00
6 Apartment	9	6,043.00	9	5,924.00
7 Apartment	4	5,854.00	4	5,739.00
8 Apartment	1	5,854.00	1	5,739.00
Mid-market rent dwellings				
2 Apartment	21	5,447.00	6	5,337.00
3 Apartment	75	6,706.00	39	6,878.00
4 Apartment	22	8,430.00	7	7,924.00
	19,980		20,004	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

2. The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.779m (£5.402m 2014/15) against which a provision amounting to £5.399m (£4.326m 2014/15), has been created in respect of non collectable debts.

3. Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.

4. The total value of uncollectable void rents for main provision properties was £0.464m (2014/15 £0.545m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

for the year ended 31 March 2016

2014/15 £000			2015/16 £000	2015/16 £000
(297,767)	Gross council tax levied and contributions in lieu			(300,827)
48,938	Less:	- Exemptions and other discounts	49,860	
8,333		- Provision for bad debts	7,956	
25,785		- Council Tax Reduction Scheme	24,255	
2,107		- Other reductions	2,689	
85,163				84,760
(212,604)				(216,067)
(307)	Previous years' adjustments			(324)
(212,911)	**Total transferred to General Fund**			**(216,391)**

Notes to the Council Tax Income Account
The in-year collection rate for Council Tax was 96.1% (2014/15 95.4%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A Council Tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is a second home. Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2015/16

Band		Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A	Up to £27,000	23,248	79	(3,209)	(3,452)	16,666	6/9	11,111	£779.33
B	£27,001 - £35,000	47,011	68	(3,728)	(6,904)	36,447	7/9	28,348	£909.22
C	£35,001 - £45,000	43,969	(23)	(3,247)	(5,439)	35,260	8/9	31,342	£1,039.11
D	£45,001 - £58,000	37,823	61	(2,845)	(4,123)	30,916	9/9	30,916	£1,169.00
E	£58,001 - £80,000	40,177	(24)	(3,383)	(3,682)	33,088	11/9	40,441	£1,428.78
F	£80,001 - £106,000	24,402	(38)	(1,343)	(1,955)	21,066	13/9	30,429	£1,688.56
G	£106,001 - £212,000	20,893	(93)	(531)	(1,244)	19,025	15/9	31,708	£1,948.33
H	Over £212,000	3,910	(30)	(146)	(191)	3,543	18/9	7,086	£2,338.00
					Total			211,381	
				Add:	Contributions in Lieu			499	
				Less:	Provision for Non-Payment			(6,738)	
					Council Tax Base			**205,142**	

NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

for the year ended 31 March 2016

2014/15		**2015/16**	
£000		**£000**	**£000**
(439,173)	Gross rates levied and contributions in lieu		(444,260)
82,712	Less: - Reliefs and other deductions	85,276	
4,588	- Uncollectable debt written off and provision for impairment	4,752	
87,300			90,028
(351,873)			(354,232)
7,684	Previous years' adjustments		13,161
(344,189)	**Net Non-Domestic Rates Income**		**(341,071)**
	Allocated to:		
(344,628)	Contribution to National Non-Domestic Rates Pool		(341,540)
439	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		469
(344,189)			**(341,071)**

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2015	**Number**	**Rateable Value £000**
Shops, offices and other commercial subjects	14,174	647,392
Industrial and freight transport	2,731	73,733
Telecommunications	9	25
Public service subjects	354	49,186
Miscellaneous	2,734	141,443
	20,002	911,779

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £341.540m (2014/15 £344.628m) is the non-domestic rates contributed by the Council through pooling arrangements for government grant purposes. The amount distributed to the Council under these arrangements was £390.862m (2014/15 £364.108m).

With effect from 2011/12, authorities retain in full the income raised locally up to the baseline level assumed in the Local Government Financial Settlement. Any variation from this assumed level is then met by means of a corresponding transfer of funds to or from the Scottish Government.

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 48.0p per £ in 2015/16 (2014/15 47.1p per £).

Properties with a rateable value greater than £35,000 (2014/15 £35,000) had their rate charges calculated using the poundage of 49.3p per £ (2014/15 48.2p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

100% Relief	below		£10,000
50% Relief	£10,001	to	£12,000
25% Relief	£12,001	to	£18,000
Upper limit for combined rateable value			£35,000

COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh ..... maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

During 2015/16, the Council acquired Custom House, 69 Commercial Street, Leith for £671,540 to use the building as a museum for the benefit of Leith and the wider city. In addition to the acquisition of Custom House, the Council generated two capital receipts for the Common Good. Cathedral Lane was sold with a receipt of £108,000 and land at Granton Road was sold with a receipt of £51,480, both of which were credited to the Common Good Fund. There has been no reduction in the value of the existing Common Good assets in year.

The sale of East Market Street garage as part of package of properties was completed in 2014/15. The Common Good account was credited with a receipt of £1.182m. The receipt, net of costs associated with the disposal, was transferred to the Common Good fund and will be utilised to fund a planned property maintenance programme on Common Good assets as agreed at the January 2016 Finance and Resources Committee. The resulting balance of the Common Good Fund is £2.297m as at 31 March 2016. (£1.654m 2014/15).

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

2015/16 Movements	**Common Good Fund £000**	**Property Maintenance Fund £000**	**FFF Earmarked Fund £000**	**Capital Adjust. Account £000**	**Reval. Reserve £000**	**Total Reserves £000**
Balance at 31 March 2015	1,654	0	1,182	(22)	21,860	24,674
Movement in reserves during 2015/16						
(Deficit) / Surplus on the provision of servic	(539)	0	0	0	0	(539)
Revaluation Reserve	0	0	0	0	135	135
Total Comprehensive Income and Expenditure	(539)	0	0	0	135	(404)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	(539)	0	0	0	135	(404)
Transfer (to) / from reserves	(818)	2,000	(1,182)	0	0	0
Increase / (decrease) in year	(1,357)	2,000	(1,182)	0	135	(404)
Balance at 31 March 2016	297	2,000	0	(22)	21,995	24,270

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

2014/15 Comparative Data	**Common Good Fund £000**	**FFF Earmarked Fund £000**	**Capital Adjust. Account £000**	**Reval. Reserve £000**	**Total Reserves £000**
Balance at 31 March 2014	1,650	0	(20)	23,928	25,558
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	0	0	0	(885)	(885)
Total Comprehensive Income and Expenditure	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
Net increase / decrease before transfers to earmarked reserves	1,186	0	(2)	(2,068)	(884)
Transfer (to) / from reserves	(1,182)	1,182	0	0	0
Increase / (decrease) in year	4	1,182	(2)	(2,068)	(884)
Balance at 31 March 2015	1,654	1,182	(22)	21,860	24,674

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 £000		**2015/16 £000**	**£000**
44	Common Good Fund	38	
0	Expenditure on Acquisition of Fixed Assets	672	
(1,218)	Income from Sale of Fixed Assets	(160)	
(1,174)	**COST OF SERVICES**	550	
	Financing and Investment Income		
(2)	Income from redemption of investment bonds	0	
(10)	Interest and investment income	(11)	
(1,186)	**DEFICIT / (SURPLUS) ON PROVISION OF SERVICES**		539
885	(Surplus) / Deficit on revaluation of non-current assets	(135)	
0	Other unrealised gains	0	
885	Other Comprehensive Income and Expenditure		(135)
(301)	**TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE**		404

COMMON GOOD FUND - BALANCE SHEET

31 March 2015 £000		31 March 2016 £000	£000
21,757	Community Assets	21,892	
21,757	**Property, Plant and Equipment**		21,892
103	Heritage Assets	103	
0	Long-term Investments	0	
103	**Long-term Assets**		103
2,756	Short-Term Investments	322	
58	Cash and Cash Equivalents	1,953	
2,814	**Current Assets**		2,275
24,674	**Net Assets**		**24,270**
21,860	Revaluation Reserve	21,995	
(22)	Capital Adjustment Account	(22)	
21,838	**Unusable Reserves**		21,973
1,654	Common Good Fund	297	
1,182	Earmarked Reserve	2,000	
2,836	**Usable Reserves**		2,297
24,674	**Total Reserves**		**24,270**

The unaudited accounts were issued on 24 June 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
10 June 2016

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets	Total Property, Plant and Equipment	Heritage Assets
Cost or Valuation	**£000**	**£000**	**£000**
At 1 April 2015	21,757	21,757	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	135	135	0
At 31 March 2016	21,892	21,892	103
Accumulated Depreciation			
At 1 April 2015	0	0	0
At 31 March 2016	0	0	0
Net Book Value			
At 31 March 2016	21,892	21,892	103
At 31 March 2015	21,757	21,757	103
Cost or Valuation			
At 1 April 2014	23,824	23,824	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,067)	(2,067)	(1)
At 31 March 2015	21,757	21,757	103
Accumulated Depreciation			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
At 31 March 2015	21,757	21,757	103
At 31 March 2014	23,824	23,824	104

1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2016 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	18

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 134).

3. Unusable Reserves

3.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Common Good Fund arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance at 1 April		21,860		23,928
Upward revaluation of assets	135		412	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		(1,297)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		135		(885)
Derecognition of asset disposals				(1,183)
Balance at 31 March		21,995		21,860

3.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(22)	(20)
Adjustment for revaluation of Government investment bonds	0	(2)
Balance at 31 March	(22)	(22)

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility
The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CiPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement outlines how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 39 of the Accounts.

The Group's Governance Framework
The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. Internal Audit has also reviewed the annual assurance questionnaire process in relation to Arms-Length Companies and has found that this provides the Chief Executive with a level of assurance on the adequacy of the governance arrangements. The Council's Corporate governance framework meets the principles of effective governance.

The key elements of the framework are set out below:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2016-2020.The plan forms part of a single planning and performance framework that connects the strategic vision of the Council and its partners to the detailed operational plans which guide the delivery of our frontline services, and the Community Plan for the delivery of services in our communities. Audit Scotland has reported its view that "the Council has a clear strategy for changing the way that it delivers services, reducing its workforce, and achieving substantial financial savings."

- The Edinburgh Partnership Community Plan 2015-2018 sets out the shared objectives of the Council and its community planning partners and details their vision, strategic priorities and intended outcomes for the Edinburgh area, its citizens and service users. The Edinburgh Partnership Community Plan 2015-2018 has been agreed by the Council and community planning partners. There are nine strategic partnerships and twelve Neighbourhood Partnerships, which all form part of the Edinburgh Partnership and help deliver the community plan and neighbourhood plans.
- Governance arrangements for the Edinburgh Partnership Community Plan include the Edinburgh Partnership Board to lead the Partnership and be responsible for its effectiveness; a Partnership Executive to act as a vehicle for wider advice, consultation, involvement and communication; and designated strategic partnerships for delivery of intervention and prevention areas.

The key elements of the framework are set out below - continued

- Empowered communities. The Council has created four localities and is using these to restructure and deliver a range of frontline services. This will ensure integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. This is underpinned by formal local community planning arrangements to support and engage with community planning groups and Community Councils, joint working locality teams and Locality Community Plans.
- The Council's long term financial plan sets out how pressures arising from demographic change, inflation and legislative reform, coupled with reducing real-terms resource levels, will need to be addressed on a sustainable basis whilst still meeting the needs of our customers. This is aligned to a re-design of our service structures to make them more efficient and a transformation of the way that services are provided. Audit Scotland noted in February 2016 that "the Council has made substantial progress in developing its longer-term savings plans" and a four year budget framework and business plan which sets out how it is proposed to deliver a balanced budget until 2018/19 has been agreed by Council. Audit Scotland also confirmed that "there is growing evidence that these savings are being achieved."
- Our programme of transformation focuses efforts on achieving priority outcomes by reducing internal business costs, applying channel shift to reduce the cost of simple transactions and enabling customers and staff to do more through self service.
- A performance management framework, incorporating internal and public performance reporting, which focuses on continuous improvement of our services, applying reliable improvement methods to ensure that services are consistently well designed based on the best evidence and are delivered on a right first time basis. Audit Scotland has specifically complimented progress in stating that "the introduction of regular performance 'dashboard' reports is a step forward in summarising complex issues, such as workforce reductions and savings plans, and highlighting areas of concern." They further noted that "Members are provided with regular progress reports and updates on the various strands of the Council's transformation programme and savings plans."
- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. Focused work is underway to further improve standards in buying practices and processes across the Council and in mainstreaming a consistent and commercial approach to maximising income from our assets and services.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Team, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management and overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Chief Finance Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.

The key elements of the framework are set out below - continued

- The Council's Governance and Democratic Services Manager, reporting to the Head of Strategy and Insight, has responsibility for advising the Council on corporate governance arrangements.
- The Governance, Risk and Best Value Committee provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides independent scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk based plan, and monitors performance of the internal audit service.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Team and Governance, Risk and Best Value Committee for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of Elected Members' salaries, allowances and expenses is published on the Council's website.
- The Council's Governance and Democratic Services Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.
- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations. Under the mandatory policy awareness programme it is an annual requirement that officers confirm their awareness and understanding of these key policies.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to indentify and prioritise risks to the achievement of the Group's objectives.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services Manager has reviewed the effectiveness of the Code and will report the result to the Governance, Risk and Best Value Committee later in 2016.

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal and Risk (Interim) but had free access to the Chief Executive, all Executive Directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor and Council's Head of Strategy and Insight (Interim) have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Team which develops and maintains the governance environment;
- The certified annual assurance statements provided by all Executive Directors;
- The certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies.
- Council officers' management activities;
- The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- An annual review by the Council's Governance and Democratic Services Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- Reports by external, statutory inspection agencies.

In compliance with standard accounting practice, the Chief Finance Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2016. It is the Chief Finance Officer's opinion that reasonable assurance can be placed upon its effectiveness.

Each Executive Director has reviewed the arrangements in his / her service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered any relevant third party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement with these. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council. Indeed, Internal Audit have reported that "The Council is on a journey of improvement with regard to the governance, risk management and internal control framework of the Council." Improvements are, however, required to enhance the adequacy and effectiveness of governance, risk management and control. In particular, these reviews have identified the following actions, which have been incorporated with the Council's Business Plan and service plans, to continue to develop in the following activities:-

By the Council:

- To continue to mitigate risks – faced by all councils – regarding uncertainties around future funding and service demands; (Service lead - Resources)
- To continue to mitigate risks inherent in the Council's major projects portfolio and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the projects; (Service lead - Chief Executive)
- To continue to mitigate risks inherent in the Council's transformation programme and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the programme; (Service lead - Resources)
- To deliver savings and improve service delivery through our Asset Management Strategy; (Service lead - Resources)
- To address recommendations within the internal audit reports issued in 2015/16 with a specific focus on addressing unresolved recommendations; (Service lead - All)

- To implement action plans agreed with external inspection agencies; (Service lead - All)
- To continue to mitigate risks surrounding the delivery of the integrated care programme in respect of Adult Social Care; (Service lead - Chief Officer Edinburgh Health and Social Care Partnership/All) and
- To implement of all other actions identified by Executive Directors in statements of assurance. (Service lead - All)

By the Group:

- long-term financial planning and links to outcomes; and
- embedding and building on recent structural changes and improvements in governance arrangements to take advantage, as appropriate, of improved economic conditions.

  The proposed improvements do not indicate any significant gaps or weaknesses in the existing governance framework.

Certification
It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration is over £150,000 per annum. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 per annum.

All information disclosed in the tables on pages 141 to 151 in this remuneration report will be audited by Audit Scotland. The other sections of the remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration Arrangements
Councillors
The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for Councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue in force.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2015/16, the remuneration for the Leader of the City of Edinburgh Council was £50,180. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2015/16 this was £37,635. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of Senior Councillors shall not exceed £652,340. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below. Posts in italics were remunerated until the dates shown.

	Number of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Governance, Risk and Best Value	1	50%
Convener of Communities and Neighbourhoods	1	45%
Convener of Police and Fire Scrutiny	1	40%
Vice-Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	45%
Opposition Group Leaders - Conservative and Green Groups	2	50%

Councillors - continued

In addition, the Council remunerated the Conveners and Vice Conveners of Joint Boards. The Council has an arrangement with the Joint Boards to reimburse the Council for the additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/148 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2015 to March 2017. Circular CO/148 provides a revised Scheme of Salaries and Conditions of Service for Chief Officials.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Corporate Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether there is to be an annual pay increase applied to the national salary points, and at what level, for Chief Executive and Chief Officer posts is made by the SJNC for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care was a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employed the post holder directly. The Integration Joint Board Chief Officer is a joint appointment and the terms and conditions, including pay for the post, are set by the Council, who employ the post holder directly. The appropriate costs are then recharged to NHS Lothian and the Integration Joint Board.

The Council's role in determining the remuneration policies for its companies is currently under review.

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Details on roles held by Councillors are set out on pages 142 and 143. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, regardless of whether a senior Councillor role was held for the full year.

Council's Leader, Civic Head and Senior Councillors	**Salary, Fees and Allowances £**	**Taxable Expenses £**	**Non-Cash Expenses / Benefits-in-kind £**	**Total Remun. 2015/16 £**	**Total Remun. 2014/15 £**
A. Burns, Leader of the Council	50,180	0	256	50,436	49,897
D. Wilson, Lord Provost	37,635	0	827	38,462	37,882
S. Cardownie, Depute Leader of the Council *(until 12.03.15), Depute Convener (from 28.05.15)*	23,786	44	417	24,247	35,163
S. Howat, Depute Leader of the Council *(from 12.03.15 until 09.03.16)* and Vice Convener Planning *(until 12.03.15)*	36,398	0	732	37,130	23,873
F. Ross, Convener of Economy *(until 09.03.16)* Depute Leader *(from 10.03.16)*	32,914	0	626	33,540	25,235
D. Brock, Depute Convener *(until 18.05.15)*	4,843	0	17	4,860	34,127
R. Lewis, Convener of Culture and Sport	32,617	0	248	32,865	34,560
P. Godzik, Convener Education, Children and Families	32,617	0	638	33,255	32,561
A. Rankin, Convener Finance and Resources	32,617	23	807	33,447	33,004
R. Henderson, Convener Health, Social Care and Housing	32,617	0	726	33,343	33,002
I. Perry, Convener Planning	32,617	0	214	32,831	32,481
G. Barrie, Convener Regulatory *(until 09.03.16)* Convener Economy *(from 10.03.16)*	32,617	0	151	32,768	33,002

Remuneration Paid - continued

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits--in-kind £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
L. Hinds, Convener Transport and Environment	32,617	0	758	33,375	33,557
E. Milligan, Convener Licensing Board	30,108	179	0	30,287	30,482
M. Child, Convener Communities and Neighbourhoods	22,581	0	96	22,677	22,452
J. Balfour, Convener Governance, Risk and Best Value	25,090	0	351	25,441	25,282
M. Bridgman, Convener Police and Fire Scrutiny *(until 09.03.16)* Convener Regulatory *(from 10.03.16)*	20,814	706	136	21,656	20,567
W. Henderson, Convener Police and Fire Scrutiny *(from 10.03.16)*	16,924	0	96	17,020	n/a
Vice-Conveners					
N. Austin-Hart, Vice Convener of Culture and Sport	22,581	0	0	22,581	22,357
G. Munro, Vice Convener of Economy	22,581	0	752	23,333	23,065
C. Fullerton, Vice Convener Education, Children and Families	22,581	0	111	22,692	22,501
B. Cook, Vice Convener Finance and Resources	22,581	0	0	22,581	22,357
C. Day, Vice Convener Health, Social Care and Housing	22,581	0	47	22,628	22,851
A. Blacklock, Vice Convener Regulatory	22,581	0	805	23,386	23,115
A. McVey, Vice Convener Transport and Environment	22,581	0	726	23,307	23,065
D. Dixon, Vice Convener Planning *(from 12.03.15 until 09.03.16)*	22,235	135	101	22,471	17,386
A. Lunn, Vice Convener Planning *(from 10.03.16)*	17,072	0	724	17,796	n/a
Opposition Group Leaders					
C. Rose, Conservative Group Leader	25,090	0	0	25,090	24,940
S. Burgess, Green Group Leader	25,090	0	936	26,026	25,774
Councillors					
N Work, Convener Lothian Valuation Joint Board *(Note 1)*	20,909	103	1,696	22,708	21,670

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2015/16 was £4,183 (2014/15 £4,142). Expenses relate to Councillor role.

Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2015/16 £	2014/15 £
Salaries	1,271,704	1,266,880
Expenses		
Claimed by councillors	1,723	2,486
Paid directly by the Council	27,072	28,732
Total	1,300,499	1,298,098

REMUNERATION REPORT

Remuneration paid to Senior Officers	**Salary, Fees and Allowances**	**Compensation for Loss of Office**	**Total Remun. 2015/16**	**Total Remun. 2014/15**
Council's Senior Officers	**£**	**£**	**£**	**£**
A. Kerr, Chief Executive *(from 27.07.15)*	111,652	0	111,652	n/a
(full year equivalent)			*164,168*	
S. Bruce, Chief Executive *(until 31.08.15)*	67,392	0	67,392	161,741
(full year equivalent)			*161,741*	
A. Maclean, Deputy Chief Executive *(until 05.01.16)*	110,881	0	110,881	134,760
(full year equivalent)			*147,427*	
G. Tee, Director Children and Families *(until 31.12.15)*	145,816	0	145,816	143,505
(full year equivalent)			*147,427*	
A. Gaw, Acting Director of Communities and Families *(from 05.01.16)*	35,272	0	35,272	n/a
(full year equivalent)			*148,901*	
R. McCulloch-Graham, Integration Joint Board Chief Officer (*from 26.10.15)*	31,903	0	31,903	n/a
(full year equivalent)			*74,451*	
P. Gabbitas, Director Health and Social Care *(until 31.07.15)*	24,587	0	24,587	65,202
(full year equivalent)			*82,928*	
P. Lawrence, Executive Director of Place (*from 30.11.15)*	49,552	0	49,552	n/a
(full year equivalent)			*148,901*	
J. Bury, Acting Director Services for Communities *(from 08.05.14* until 18.10.15*)*	67,380	0	67,380	120,994
(full year equivalent)			*134,760*	*134,760*
G. Ward, Director of Economic Development *(until 30.11.15)*	79,390	0	79,390	99,747
(full year equivalent)			*127,758*	
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	101,243	0	101,243	99,747
H. Dunn, Head of Finance *(until 05.01.16)* and Acting Executive Director of Resources *(from 06.01.16)*	116,241	0	116,241	105,003
M. Boyle, Head of Older People and Disability Service *(until 31.01.16)*	90,436	122,076	212,512	n/a
G. Crosby, Senior Manager Disabilities *(until 31.01.16)*	74,293	91,870	166,163	n/a
P. Campbell, Senior Manager Older People *(until 31.01.16)*	77,371	87,199	164,570	n/a
M. Turley, Director Services for Communities *(until 30.06.14)*	n/a	n/a	n/a	69,118
(full year equivalent)			n/a	*134,760*
Total	1,183,409	301,145	1,484,554	999,817

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. A Kerr received £408 for Returning Officer Duties in 2015/16.
2. A. Kerr was appointed Chief Executive in July 2015. Salaries shown for A. Kerr and S. Bruce relate to the responsibilities as shown.

   H. Dunn was appointed Acting Executive Director of Resources in January 2016. Salaries shown for H. Dunn and A. Maclean relate to the responsibilities as shown.

   J. Bury was appointed Acting Director of Services for Communities in May 2014, with P. Lawrence appointed Executive Director of Place in November 2015. Salaries shown for J. Bury and P. Lawrence relate to the responsibilities as shown.

   A. Gaw was appointed Acting Director of Communities and Families in January 2016. Salaries shown for A. Gaw and G. Tee relate to the responsibilities as shown.

   R. McCulloch-Graham was appointed Integration Joint Board Chief Officer in October 2015. Salaries shown for R. McCulloch-Graham and P. Gabbitas relate to the responsibilities as shown.
3. P. Gabbitas was employed by NHS Lothian and 50% of his salary costs were recharged to the Council. The above figures therefore show the Council's share. R. McCulloch-Graham was employed by the Council with 50% of his salary costs reflected above.
4. Pay in lieu of notice is included within Salary, Fees and Allowances where applicable.

REMUNERATION REPORT

Remuneration Paid - continued
Remuneration paid to Senior Officers - continued
Council Subsidiary Companies
EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2015 and 2014 respectively.

Council's Subsidiary Companies	**Salary, Fees and Allowances £**	**Bonus £**	**Other Benefits £**	**Compensation for Loss of Office £**	**Total Remun. 2015/16 £**	**Restated Total Remun. 2014/15 £**
E. Adair, Operations and Finance Director, EDI Group	103,458	0	2,286	0	105,744	104,129
H. Rissmann, Chief Executive, EICC *(until 31.03.15)*	51,665	0	0	0	51,665	158,034
(full year equivalent)					*170,191*	
M. Dallas, Chief Executive, EICC *(from 01.10.14)*	131,950	26,520	0	0	158,470	32,500
(full year equivalent)						*130,000*
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd *(Note 2)*	116,600	0	0	0	116,600	116,600
J. Rafferty, Chief Executive, Capital City Partnership	72,795	0	0	0	72,795	71,720
LPFE Limited						
C. Scott, Chief Executive Officer	78,384	0	0	0	78,384	n/a
Lothian Buses Ltd.						
I. Craig, Managing Director	197,997	0	13,209	0	211,206	199,526
W. Campbell, Operations Director	114,831	0	1,245	0	116,076	155,224
W. Devlin, Engineering Director *(Note 3)*	154,804	46,441	2,262	0	203,507	202,614
N. Strachan, Finance Director *(Note 3)*	154,804	46,441	681	0	201,926	201,158
G. Hughes, HR Director *(Note 3)*	n/a	n/a	n/a	n/a	n/a	198,309
Edinburgh Trams Ltd.						
T. Norris, Director and General Manager *(until 26.06.15)*	39,838	0	3,636	0	43,474	91,835
(full year equivalent)					80,705	
	1,217,126	119,402	23,319	0	1,359,847	1,531,649

Notes:

1. Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. Others benefits paid relate to car allowance and personal healthcare within Edinburgh Trams Ltd.
2. Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £116,600 in 2015/16, of which £6,600 is VAT (2014/15 £116,600, £6,600).
3. W Devlin and N Strachan were paid a bonus for 2014 in 2016, hence the restatement of the figures for that financial year. G Hughes was paid an exit package of £85,779 in February 2015.
4. The only director to be remunerated by Edinburgh Trams was T. Norris. Following his departure, I. Craig was the most senior officer in Edinburgh Trams up to and beyond the reporting date. His costs for the period are included within Lothian Buses.

Remuneration Paid - continued

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2015/16	2014/15		2015/16	2014/15
£50,000 - £54,999	192	203	£135,000 - £139,999	1	0
£55,000 - £59,999	139	94	£140,000 - £144,999	1	1
£60,000 - £64,999	58	31	£145,000 - £149,999	1	0
£65,000 - £69,999	46	32	£150,000 - £154,999	0	0
£70,000 - £74,999	29	37	£155,000 - £159,999	0	0
£75,000 - £79,999	32	4	£160,000 - £164,999	1	1
£80,000 - £84,999	12	2	£165,000 - £169,999	1	0
£85,000 - £89,999	7	3	£170,000 - £174,999	0	0
£90,000 - £94,999	3	1	£175,000 - £179,999	0	0
£95,000 - £99,999	4	15	£180,000 - £184,999	0	0
£100,000 - £104,999	9	1	£185,000 - £189,999	0	0
£105,000 - £109,999	3	1	£190,000 - £194,999	0	0
£110,000 - £114,999	3	0	£195,000 - £199,999	0	0
£115,000 - £119,999	2	0	£200,000 - £204,999	0	0
£120,000 - £124,999	2	0	£205,000 - £209,999	0	0
£125,000 - £129,999	1	0	£210,000 - £214,999	1	0
£130,000 - £134,999	0	2			
			Total No. of Employees	**548**	**428**

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	**Number of Compulsory Redundancies**		**Number of Other Departures Agreed**		**Total Number of Exit Packages by Cost Band**		**Total Cost of Exit Packages in Each Band**	
	2015/16	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**
£0 - £20,000							**£000**	**£000**
- Council	0	0	203	32	203	32	2,150	267
- Group companies	0	2	0	0	0	2	0	6
£20,001 - £40,000								
- Council	0	0	203	29	203	29	5,795	915
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	69	9	69	9	3,390	419
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	31	3	31	3	2,225	210
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	33	2	33	2	2,939	181
- Group companies	0	0	0	1	0	1	0	86
£100,001 - £150,000								
- Council	0	0	34	6	34	6	3,952	702
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	3	0	3	0	511	0
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	1	0	1	0	203	0
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	2	0	2	0	554	0
- Group companies	0	0	0	0	0	0	0	0
	0	2	579	82	579	84	21,719	2,786

Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2015/16 were as follows:

Whole Time Pay	**Contribution rate**
On earnings up to and including £20,500 (2015 £20,235)	5.50%
On earnings above £20,500 and up to £25,000 (2015 £20,235 to £24,853)	7.25%
On earnings above £25,000 and up to £34,400 (2015 £24,853 to £34,096)	8.50%
On earnings above £34,400 and up to £45,800 (2015 £34,096 to £45,393)	9.50%
On earnings above £45,800 (2015 £45,393)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

REMUNERATION REPORT

Pension Benefits - continued
Pension Rights - continued
Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
Council's Leader and Civic Head					
A. Burns, Leader of the Council	10,739	10,582	Pension	6	2
			Lump Sum	3	1
D. Wilson, Lord Provost	8,054	7,937	Pension	4	1
			Lump Sum	2	0
<u>Senior Councillors</u>					
R. Lewis	6,980	6,879	Pension	2	0
			Lump Sum	0	0
F. Ross	7,044	6,879	Pension	2	1
			Lump Sum	0	0
S. Howat	7,789	4,933	Pension	2	1
			Lump Sum	0	0
P. Godzik	6,980	6,879	Pension	4	1
			Lump Sum	2	0
A. Rankin	6,980	6,879	Pension	3	1
			Lump Sum	0	0
R. Henderson	6,980	6,879	Pension	4	1
			Lump Sum	2	0
I. Perry	6,980	6,879	Pension	4	1
			Lump Sum	2	0
G. Barrie	6,980	6,879	Pension	4	1
			Lump Sum	2	0
L. Hinds	6,980	6,879	Pension	6	2
			Lump Sum	6	0
E. Milligan	6,443	6,463	Pension	4	1
			Lump Sum	2	0
M. Child	4,832	4,762	Pension	8	1
			Lump Sum	15	1
M. Bridgman	4,454	4,280	Pension	4	0
			Lump Sum	1	0
W. Henderson	3,622	n/a	Pension	1	n/a
			Lump Sum	0	n/a

REMUNERATION REPORT

Pension Benefits - continued
Pension Rights - continued
Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
N. Austin Hart	4,832	4,762	Pension	3	1
			Lump Sum	1	0
G. Munro	4,832	4,763	Pension	3	0
			Lump Sum	2	0
D. Dixon	4,758	3,594	Pension	1	0
			Lump Sum	0	0
A. Blacklock	4,832	4,762	Pension	3	1
			Lump Sum	2	0
A. McVey	4,832	4,762	Pension	2	0
			Lump Sum	0	0
A. Lunn	3,653	n/a	Pension	0	n/a
			Lump Sum	0	n/a
C. Rose	5,369	5,291	Pension	3	1
			Lump Sum	1	0
<u>Councillors</u>					
N. Work *(including role as Convener*	4,475	4,410	Pension	3	0
of Lothian Valuation Joint Board)			Lump Sum	2	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Pension Benefits - continued
Pension Rights - continued
Senior Employees
The pension entitlements of senior employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
A. Kerr, Chief Executive *(from 27.07.15) (including returning officer role)*	23,981	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
S. Bruce, Chief Executive *(until 31.08.15) (including returning officer role)*	14,422	34,450	Pension	81	1
			Lump Sum	191	0
A. Maclean, Depute Chief Executive *(until 05.01.16)*	23,517	28,704	Pension	16	1
			Lump Sum	0	0
G. Tee, Director Children and Families *(until 31.12.15)*	83,567	30,567	Pension	78	3
			Lump Sum	184	3
A. Gaw, Acting Director of Communities and Families *(from 05.01.16)*	24,031	n/a	Pension	49	n/a
			Lump Sum	106	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer *(from 26.10.15)*	6,827	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Gabbitas, Director Health and Social Care *(Council proportion) (until 31.07.15)*	3,664	8,859	Pension	10	n/a
			Lump Sum	29	n/a
P. Lawrence, Executive Director of Place *(from 30.11.15)*	10,604	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Bury, Acting Director Services for Communities *(from 08.05.14 until 18.10.15)*	14,419	25,772	Pension	63	5
			Lump Sum	155	16
G. Ward, Director Economic Development *(until 30.11.15)*	16,979	21,141	Pension	27	2
			Lump Sum	51	2
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	21,666	21,246	Pension	39	2
			Lump Sum	81	1
H. Dunn, Head of Finance *(until 05.01.16)* and Acting Executive Director of Resources *(from 06.01.16)*	24,876	22,366	Pension	47	3
			Lump Sum	101	0
M. Boyle, Head of Older People and Disability Service *(until 31.01.16)*	55,481	n/a	Pension	48	n/a
			Lump Sum	108	n/a
G. Crosby, Senior Manager Disabilities *(until 31.01.16)*	13,960	n/a	Pension	34	n/a
			Lump Sum	76	n/a
P. Campbell, Senior Manager Older People *(until 31.01.16)*	45,989	n/a	Pension	31	n/a
			Lump Sum	67	n/a
M. Turley, Director Services for Communities *(until 30.06.14)*	n/a	99,521	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Total	383,983	292,626			

Notes:
All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas was a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2016, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 147. The contribution rate for P. Gabbitas was 14.7% (2014/15 14.7%).

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

Pension Benefits - continued

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2016 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
E. Adair, Operations and Finance Director, EDI Group	20,237	19,753	Pension	25	2
			Lump Sum	41	1
H. Rissmann, Chief Executive, EICC *(until 31.03.15)*	5,203	20,813	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Dallas, Chief Executive, EICC *(from 01.10.14)*	16,836	3,737	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Lothian Buses Ltd.					
I. Craig, Managing Director	40,075	38,201	Pension	27	3
			Lump Sum	19	0
W. Campbell, Operations Director	33,128	31,579	Pension	36	3
			Lump Sum	55	0
W. Devlin, Engineering Director	33,128	31,579	Pension	46	4
			Lump Sum	83	0
N. Strachan, Finance Director	33,128	31,579	Pension	41	3
			Lump Sum	70	0
G. Hughes, HR Director	n/a	10,353	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Edinburgh Trams Ltd.					
T. Norris, Director and General Manager *(until 26.06.15)*	3,614	7,400	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Capital City Partnership					
J. Rafferty, Chief Executive	14,073	16,280	Pension	30	1
			Lump Sum	66	1
LPFE Limited					
C. Scott, Chief Executive Officer	16,069	n/a	Pension	13	n/a
			Lump Sum	10	n/a
Total	199,422	211,274			

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2015 and 31 December 2014 respectively.

E. Adair and J. Rafferty are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Audit Scotland
4th Floor
102 West Port
EDINBURGH
EH3 9DN

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

(as shown on page 19 of the Unaudited Financial Statements)

		2015/16	
	£000	**£000**	**£000**
Total Comprehensive (Income) and Expenditure			(332,331)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		2,294	
Gains and losses relating to pension liability		(323,138)	
Other unrealised losses		(8,823)	
			(329,667)
Surplus on provision of services, per CIES			(2,664)
Amounts included in the CIES but required by statute to be excluded when determining the General Fund surplus for the year			
Depreciation and impairment of fixed assets	(178,649)		
Net loss on sale of fixed assets	37,258		
Revenue expenditure funded from capital under statute	38,846		
Finance costs - statutory adjustments	1,928		
Net charges made for retirement benefits in accordance with IAS 19	(107,396)		
		(208,013)	
Amounts not included in the CIES but required to be included by statute when determining the General Fund surplus for the year			
Statutory provision for repayment of debt (includes voluntary repayments)	85,038		
Lease repayments (including element relating to PPP contracts)	12,587		
Capital expenditure charged to the General Fund balance	(38,846)		
Capital expenditure funded from revenue	215		
Change in fair value of Investment Properties	1,146		
Capital grants and contributions credited to the CIES	70,533		
Net transfer for holiday pay accrual	5,876		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	72,287		
		208,836	
Transfers to / or from the General Fund Balance that are required to be taken into account when determining the General Fund surplus for the year			
Statutory transfer of HRA surplus to Renewal and Repairs Fund	2,256		
Net Transfer from earmarked reserves	(11,363)		
		(9,107)	
			(8,284)
General Fund Surplus reported in Financial Statements			(10,948)

	2015/16		
	£000	£000	£000
Consolidation Adjustments			
Funds (drawn down from) / contributed to earmarked balances:			
- Balances set aside for specific investment		(1,324)	
- Contingency funding		174	
- Council Priorities Fund (excluding transfer of year-end surplus)		(3,022)	
- Council Tax Discount Fund		2,960	
- Devolved School Management		1,750	
- Dilapidation fund		3,335	
- Energy efficiency		47	
- Insurance fund		982	
- Licensing income		(8)	
- Lothian Buses		(296)	
- Other minor funds		21	
- Pre-paid PPP monies		130	
- Savings set aside for IT projects		(348)	
- Spend to save		(104)	
- Strategic Acquisition Fund		4,458	
- Unspent grants		1,332	
			10,087
General Fund Surplus			(861)

REVENUE BALANCES

	Balance at 31-Mar-15 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31-Mar-16 £000
Balances Set Aside to Manage Financial Risks				
Balances set aside for specific inv.	13,889	(5,661)	4,337	12,565
Contingency funding, incl workforce	17,901	0	174	18,075
Council Priorities Fund	3,365	(3,022)	861	1,204
Dilapidations fund	8,759	(402)	3,737	12,094
Insurance funds	12,557	(250)	1,232	13,539
	56,471	(9,335)	10,341	57,477
Balances Set Aside from Income Received in Advance				
Licensing income	1,401	(347)	339	1,393
Lothian Buses	6,000	(296)	0	5,704
Other minor funds	219	0	21	240
Pre-paid PPP monies	1,599	0	130	1,729
Recycling monies	1,372	0	0	1,372
Police and Fire reserves	1,996	0	0	1,996
Council Tax Discount Fund	18,636	0	2,960	21,596
Unspent grants	4,482	(3,616)	4,948	5,814
Strategic Acquisition Fund	3,000	(42)	4,500	7,458
	38,705	(4,301)	12,898	47,302
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Savings set aside for IT projects	3,481	(4,611)	4,263	3,133
Energy efficiency	800	0	47	847
Spend to save	3,988	(118)	14	3,884
	8,269	(4,729)	4,324	7,864
Balances Set Aside under Devolved School Management Scheme				
Devolved School Management	1,054	(1,054)	2,804	2,804
	1,054	(1,054)	2,804	2,804
Unallocated General Reserve	13,025	0	0	13,025
Total General Reserve	**117,524**	**(19,419)**	**30,367**	**128,472**

City of Edinburgh Council

10.00am, Thursday, 30 June 2016

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited – referral from the Pensions Committee

Item number	8.4
Report number	
Wards	All

Executive summary

The purpose of this report is to present the unaudited Annual Report for the year ended 31 March 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund. A copy is attached as Appendix 1.

The Accounts show that the Lothian Pension Fund valuation increased over the year from £5,106m to £5,434m and Lothian Buses Pension Fund increased from £386m £394m. The Scottish Homes Pension Fund decreased from £155m to £150m.

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited – report by the Acting Executive Director of Resources

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Terms of Referral

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited

Terms of referral

1.1 On 28 June 2016, the Pensions Committee considered a report regarding the Unaudited Finical Accounts of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund (PSP).

1.2 The Pensions Committee agreed:

- 1.2.1 To note the unaudited Annual Report for the year ended 31 March 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.
- 1.2.2 To refer the report, for information, to the City of Edinburgh Council, in its role as administering authority of the Pension Funds

For Decision/Action

2.1 The City of Edinburgh Council is asked to consider the attached report.

Background reading / external references

Pensions Committee 28 June 2016.

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Stuart McLean, Committee Clerk

E-mail: stuart.mclean@edinburgh.gov.uk | Tel: 0131 529 4106

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited – report by the Acting Executive Director of Resources

Pensions Committee

2.00 p.m., Monday, 27 June 2016

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited

Item number	5.4
Report number	
Executive/routine	
Wards	All

Executive summary

The purpose of this report is to present the unaudited Annual Report for the year ended 31 March 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.

A copy of the unaudited Pension Funds' Annual Report for the year to 31 March 2016 is attached as Appendix 1. The Accounts show that the Lothian Pension Fund valuation increased from £5,106m to £5,434m and Lothian Buses Pension Fund increased from £386m to £394m. Reflecting the mature profile of its liabilities, the Scottish Homes Pension Fund decreased from £155m to £150m.

Links

Coalition pledges	
Council outcomes	CO26
Single Outcome Agreement	

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Lothian Pension Fund Annual Report (& Accounts) Unaudited

Recommendations

1.1 That Committee invites the Pension Board to raise any relevant matters or concerns which the Committee should consider.

1.2 Note the unaudited Annual Report for the year ended 31 March 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.

1.3 Refer this report, for information, to the City of Edinburgh Council, in its role as administering authority of the Pension Funds.

Background

Statutory provisions and accounting guidance

2.1 The Scottish Government has issued statutory accounting guidance, which requires that Local Government Pension Scheme (LGPS) financial statements be published within an Annual Report. From 2010/11 onwards, the LGPS Annual Report should be published separately from the Authority's own financial statements and there should be a separate audit report.

2.2 On 11 May 2015, "Local Government Finance Circular No.6/2015" was issued to provide non-statutory guidance on the requirements of The Local Authority Accounts (Scotland) Regulations 2014. These introduced a new statutory requirement for the Financial Statements to include a Management Commentary and an Annual Governance Statement. Similar requirements are contained in The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.

2.3 In July 2014, CIPFA published guidance "Accounting for Local Government Pension Scheme Management Costs", which promoted greater transparency of investment management fees. These principles were adopted as best practice in the presentation of the unaudited Annual Report 2015.

2.4 Local authorities are required to account for pension funds in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The Code now requires that preparers have regard to CIPFA guidance “Accounting for Local Government Pension Scheme Management Costs”.

2.5 In March 2016, CIPFA revised and updated this guidance. Whilst the underlying principle of transparency of investment cost remains unchanged, there has been a degree of relaxation to full cost disclosure. Specifically, for complex “Fund of Fund” structures, the new guidance states that “Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the (Pension) Fund Account......If pension funds wish to provide information about the total cost of Fund of Fund investments, this should be included as part of the Investments section in the Annual Report”.

2.6 The financial statements of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund, however, do include full transparency of all investment management fees.

2.7 With the investment staffing vehicle, LPFE Limited, commencing trading on 1 May 2015, consolidated financial statements have been prepared for Lothian Pension Fund for the year ended 31 March 2016. These consolidated financial statements combine those of the Fund (the parent entity) and its controlled entity (LPFE Limited) as defined in International Accounting Standard (IAS) 27.

2.8 The Local Government (Scotland) Act 1973 stipulates that unaudited financial statements must be presented to the Council and the Controller of Audit within three months of the financial year end, that is 30 June. It is within the Pensions Committee’s remit to consider the unaudited Annual Report for the pension funds. As per Audit Scotland guidance, the Annual Report should be referred to Council on for the purpose of noting. The next Council meeting is on 30 June 2016.

Main report

Unaudited Lothian Pension Funds Annual Report

3.1 A copy of the unaudited Annual Report for the year to 31 March 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund is attached as Appendix 1.

3.2 In considering the unaudited Pension Funds’ Annual Report, Committee should note the following:

3.2.1 Section 95 of the Local Government (Scotland) Act 1973 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”. The Acting Executive Director of Resources serves as the

Section 95 Officer for all of the City of Edinburgh Council's accounting arrangements, including those of the Pension Funds, however, this Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund.

3.2.2 The Accounts show that the Lothian Pension Fund valuation increased from £5,106m to £5,434m and the Lothian Buses Pension Fund increased from £386m to £394m. Reflecting the mature profile of its liabilities, the Scottish Homes Pension Fund decreased from £155m to £150m.

3.2.3 The Annual Report includes an Annual Governance Statement which sets out details of how the Funds are governed and the internal controls that are in place to manage risk. This mirrors the requirement to have a similar statement within the Financial Statements of the Council. This also encompasses a Governance Compliance Statement, which is a requirement of the LGPS Regulations. Its purpose is to record the extent to which the constitutional governance arrangements comply with best practice guidance issued by the Scottish Public Pensions Agency.

3.2.4 Related to the Annual Governance Statement is the Statement of Responsibilities for the Statement of Accounts. This sets out the respective responsibilities of the Administering Authority and those delegated to the Chief Finance Officer, Lothian Pension Fund.

3.2.5 Each of the three funds has a separate Actuarial Statement provided by the Actuary which provides information on the triennial valuation as at 31 March 2014 and the contributions determined for the following three years.

3.3 Following the consideration of the unaudited Annual Report by Pensions Committee, the next steps will be:

a. City of Edinburgh Council should note the unaudited accounts at its meeting on 30 June 2016.

b. In order to meet the statutory timetable, the Pensions Audit Sub-Committee of 27 September 2016 and thereafter the Pensions Committee, at its meeting on 28 September 2016, will consider the following reports:

   i. International Standard on Auditing (ISA) 260 Audit Report, which covers all significant issues arising from the audit of the accounts;

   ii. the Annual Report by the External Auditor which summarises all significant matters arising from the audit and overall conclusions about the management of key risks; and

   iii. the Audited Annual Report 2016.

c. It is anticipated that City of Edinburgh Council should note the audited accounts at its meeting on 27 October 2016.

Measures of success

4.1 The prime objective of the Council, as administering authority of the Lothian Pension Fund, Lothian Buses Pensions Fund and Scottish Homes Pension Fund, is to ensure an unqualified audit opinion of the Annual Report 2016. This will be determined in due course.

Financial impact

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

Risk, policy, compliance and governance impact

6.1 The Local Government (Scotland) Act 1973 stipulates that unaudited financial statements must be presented to the Pensions Committee and the Controller of Audit within three months of the financial year end, that is 30 June.

Equalities impact

7.1 There are no adverse equalities impacts arising from this report.

Sustainability impact

8.1 There are no adverse sustainability impacts arising from this report.

Consultation and engagement

9.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Funds.

Background reading/external references

None

Hugh Dunn

Acting Executive Director of Resources

Contact: John Burns, Chief Finance Officer

E-mail: john.burns@edinburgh.gov.uk | Tel: 0131 469 3711

Links

Coalition pledges	
Council outcomes	CO26 - The Council engages with stakeholders and works in partnerships to improve services and deliver agreed
Single Outcome Agreement	
Appendices	Appendix 1: Unaudited Annual Report 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund; Appendix 2: Lothian Pension Funds – Annual Statement by Chief Internal Auditor; Appendix 3: City of Edinburgh Council – Statement on the system of internal financial control by Acting Executive Director of Resources; Appendix 4: Lothian Pension Finds – Statement on the system of internal financial control by Chief Finance Officer, Lothian Pension Fund;

Appendix 1

Unaudited Annual Report and Financial Statements 2015/16

Lothian Pension Fund
Lothian Buses Pension Fund
Scottish Homes Pension Fund

Contents

Foreword

As Convener of the Pensions Committee with responsibility for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund, I am pleased to introduce the 2015/16 Annual Report and Financial Statements.

We are witnessing one of the most challenging periods in modern times within the pensions arena. The wide reaching and radical reforms - to the State Pension and all public service pensions schemes, alongside the introduction of auto enrolment and flexible access to pensions savings under the 'Freedom and Choice' initiative - will have an impact for generations to come.

We aim to ensure that those 70,000 people who are members of our scheme have confidence that we are managing it effectively and efficiently on their behalf.

Good governance should be at the heart of any pension fund and changes required by the Public Sector Pensions Act 2013 are shining a greater light on governance across all public sector schemes. We welcome this. The Scottish LGPS Scheme Advisory Board has been established to advise Scottish ministers on changes which may be require to the LGPS and I am privileged to be a member of that Board. Locally we established our Pension Board, its members being employer and member representatives, on 1 April 2015. The Board has played an active role in the Funds' governance.

Unusually within the public sector, the LGPS is a funded scheme. Over the last year, the Lothian Pension Fund's assets have increased by £328million, with investments returning 6.5% over the last year. It is pleasing to see that our low-cost, lower-risk investment strategy is providing protection in volatile investment markets. The Funds also paid £165million of pension benefits to our members, primarily into the local economy where most of our members live.

I would like to take this opportunity to record my thanks to colleagues on the Pensions Committee, Pension Board, our advisors, employers and the Lothian Pension Fund team.

Councillor Alasdair Rankin
Pensions Committee Convener
The City of Edinburgh Council

Report by the Convener of the Pensions Audit Sub-Committee

The role of the Pensions Audit Sub-Committee is to assess the control of the Funds to ensure effective and efficient operations and to make appropriate recommendations to the Pensions Committee. It consists of three members of the Pensions Committee and it draws on appropriate specialist knowledge, understanding and expertise to scrutinise the operation of the pension funds. Two members of the Pension Board, one member representative and one employer representative, and the independent professional observer also attend.

Over the 2015/16 year, the Sub-Committee met three times and considered the 2014/15 accounts including the external audit of these accounts. It also reviewed findings from internal audits, fraud prevention, recovery of income tax on investment income and the service from the Funds' investment custodian.

I believe the Audit Sub-Committee plays a valuable role in the governance of the pension funds and adds value to members and employers.

Councillor Cameron Rose
Audit Sub Committee Convener
The City of Edinburgh Council

Report by the Chair of the Pension Board

As required by regulations, a Pension Board was established on 1 April 2015 to help ensure that the operation of the pension funds is in accordance with the applicable law and regulation.

The Board is made up of employer and member representatives and replaced the Consultative Panel which was similarly constructed. While the Board has additional regulatory powers and hence has needed to be operated more formally, I am pleased that the Board has worked with the pension funds in an equally transparent and collaborative manner. The Board is very grateful for work of all the Fund staff whose skills and dedication have again produced a positive position for the funds.

The Board attends all meetings of the Pensions Committee and Audit Sub-Committee and actively participates in the Funds' governance. Members of the Board have also undertaken training to understand their role, general pensions issues and the operations of the pension Funds.

As required by the constitution, the chair of the Pension Board rotates annually between employer and member representatives. Jim Anderson, a member from Scottish Water nominated by UNISON, was selected by the Board to take on the role from 1 April 2016 and I know the Board will continue to support the pension funds in a constructive manner in the future.

Eric Adair
Finance Director of EDI (an admitted body in Lothian Pension Fund) and Chair of the Pension Board

Report by the Independent Professional Observer

My role as an Independent Professional Observer for the pension funds is to assist the Pensions Committee and Pension Board in exercising their governance responsibilities as effectively and as efficiently as possible. My experience as a pension trustee and knowledge of institutional investment help me to undertake the role.

During the year the Pensions Committee and Pension Board worked collaboratively and with constructive challenge to ensure that the new governance arrangements bedded in well and added value to the efficient oversight of the pension funds. As well as overseeing the normal day to day management of the funds, the Committee and Board have considered a number of emerging issues in relation to funding and investment, including the monitoring of the financial strength of employers and consideration of climate change exposure within the investment portfolio.

The level of debate within and between the Pensions Committee and Pension Board continues to be of a very high quality, and members continue to demonstrate high levels of engagement in searching for continuous incremental improvements to the overall governance standards of funds.

Sarah Smart
Independent Professional Observer

Introduction

Funding and investments

Uncertainty over economic growth, particularly in emerging markets, brought volatility to investment markets over 2015/16. Lothian Pension Fund's innovative strategy, targeting stable, income generating global equities, has delivered strong returns in these uncertain markets, returning +6.5% over the year despite equities falling in most regions.

Infrastructure investment has received much publicity over the past year as the UK and Scottish governments look to encourage Local Government Pension Schemes to increase their investment in this area. Lothian Pension Fund has built up a large and diverse infrastructure portfolio over a number of years, developing its reputation, network and execution capabilities to secure access to investment opportunities within this market niche.

An experienced team manages the majority of investments internally, with strong oversight and support from the Investment Strategy Panel. Not only is an internal team better aligned with the Funds' interests, but employers and members benefit from lower costs. A new corporate structure was established to facilitate further development of the in-house investment team and generate efficiencies for stakeholders. A limited company wholly owned by the pension fund, provides staff resources to the pension fund and facilitates recruitment and retention of specialist staff. In addition, a regulated investment company, LPFI Limited, has applied to the Financial Conduct Authority for authorisation. The company will enable us to collaborate more effectively with other institutional investors on infrastructure and other alternative investments to benefit from economies of scale.

Scheme changes

Significant changes were made to the Local Government Pension Scheme on 1 April 2015. The Fund participated in an ambitious joint communications programme covering all Scottish Funds to inform members of these changes and the Fund's communications officer played a key role. The initiative produced a dedicated website, video and pension modeller. In addition, the Fund provided its own members with newsletters and e-newsletters and produced posters and a comprehensive toolkit for employers. Approximately 2,500 members attended over 50 roadshows. Communications reinforced the message that the scheme remains a valuable part of remuneration.

Customers

Efforts to speed up the transfer of membership data from employers to the Fund continued. As well as helping us to provide a better service to members, it improves accuracy which is required to administer the new career average pension scheme.

Employers in the Lothian Pension Fund continue to face organisational changes and there is increased pressure on employer contributions. The results of the 2014 actuarial valuation and employer covenant analysis highlighted the need for different funding and investment options for certain employers. Consideration of appeals from some employers demonstrated that we are committed to ensuring commitments to the Fund are honoured whilst adopting as flexible an approach as possible to funding.

We had over 80,000 visits to our website, www.lpf.org.uk, over the year and over 19,000 members are registered to use the My Pension Online service. We recently used the online facility during a large-scale voluntary early release programme allowing members to see their potential pension benefits before expressing an interest. This facility significantly reduced work for both the employer and Fund.

Awards

During the year, the Funds, once again demonstrated their commitment to customers by retaining the Customer Service Excellence award. In order to further develop our service, we have joined the Pension Administration Standards Association, the first local government pension fund to do so. We also won two awards at the Local Government Investment Awards 2015, Fund of the Year (over £5billion) for Lothian Pension Fund and Fund of the Year (under £750million) for Lothian Buses Pension Fund.

Challenges

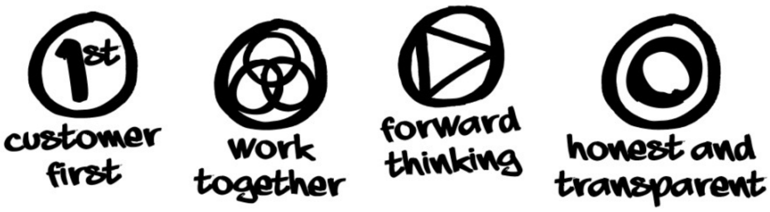
The changes to the pension scheme, pension taxation allowances and new pension freedoms make the administration of the Local Government Pension Scheme more complex and more difficult for members to understand. We will continue to develop communications, including different communications channels, strive for efficiencies and use industry standards to improve our service.

Continuing budgetary constraints across the public sector are expected to lead to further reductions in employee numbers and an increasing number of admitted bodies seeking to exit Lothian Pension Fund. There is also a risk that members decide to opt-out of the Fund on grounds of affordability or lack of appreciation of the value of pension benefits. Together with the new pension freedom and pension auto-enrolment, these could impact on the Fund membership, its liabilities and cashflow.

Economic growth in most parts of the world appears to be stuttering and yields on government bonds continue to move to historic lows. Collaboration could offer efficiencies and improved governance, particularly with the Fund's internal investment team. The Fund will continue to take a proactive approach to collaboration, assisted by authorisation from the Financial Conduct Authority.

There has always been interest from members and specific campaign groups in investments and over recent years this has increased significantly. There is a need to continue to be open and transparent with each Fund investments and communicating its investment strategy. The Funds must act in the best interests of members and employers and this remains paramount in all decision making.

To ensure we meet these challenges we have four objectives for our service to:



- We put our customers first and aim to provide the very best service.
- Our people are at the very heart of our business and we work together to deliver our service.
- We strive to improve our services by thinking ahead and developing new solutions.
- We are committed to supporting a culture of honesty and transparency.

Hugh Dunn
Acting Executive Director of Resources
The City of Edinburgh Council
27 June 2016

Clare Scott
Chief Executive
Lothian Pension Fund
27 June 2016

Governance

Pension Committee and Pension Board

The City of Edinburgh Council acts as administering authority for the Local Government Pension Scheme in the Lothian area. There are three Funds, Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

Pensions Committee and Pensions Audit Sub-Committee

The City of Edinburgh Council, in its role as administering authority, delegates pension matters to the Pensions Committee and Pensions Audit Sub-Committee whose members act as 'quasi trustees'. The Pensions Committee held five meetings during the year and the Pensions Audit Sub-Committee met three times. Membership of the Committees from 1 April 2015 to 31 March 2016 was as follows:

Membership

Pensions Committee
Councillor Alasdair Rankin (Convener)
Councillor Maureen Child
Councillor Jim Orr
Councillor Bill Cook
Councillor Cameron Rose
John Anzani (elected member representative, Midlothian Council)
Richard Lamont (employer representative, Visit Scotland)

Pensions Audit Sub-Committee
Councillor Cameron Rose (Convener)
Councillor Jim Orr
Councillor Bill Cook

The Pension Board

The Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 came into force on 1 April 2015. This resulted in the Consultative Panel being disbanded on 31 March 2015 and being replaced by a new Pension Board on 1 April 2015.

The role of the Pension Board is to help ensure that the operation of the Funds is in accordance with the applicable law and regulation. The Board attends all Pensions Committee meetings and has appointed two representatives to attend Pensions Audit Sub-Committee meetings. The membership comprises of ten members, five representatives appointed from the employer bodies and five members appointed by trade unions representing the membership of the Funds.

The Pension Board membership for the period 1 April 2015 to 31 March 2016 was as follows:

Employer representatives

Eric Adair (Chair)	EDI Group
Darren May	Scottish Water
Linda McDonald	Handicabs
Simon Belfer*	Napier University
Rucelle Soutar	The Royal Edinburgh Military Tattoo

Member representatives

Graeme Turnbull	UCATT
John Rodgers	UNITE
Thomas Carr Pollock	GMB
Catrina Warren*	Unison
Jim Anderson	Unison

(*Pension Board member appointed to attend the Pensions Audit Sub-Committee meetings.)

Pensions Committee and Pension Board training

The Committee and Board members must attend no less than 21 hours of training per year as outlined in the Funds' training policy which is available on our website at www.lpf.org.uk. All new members of the Pensions Committee and Pension Board attended induction training. Other training covered key areas including pension legislation, investment, accounting, auditing standards and actuarial practices. All members of the Committee and Board achieved the required training hours during 2015/16. Committee members collectively attended 293 hours of training over the year. Pension Board members undertook 314 training hours.

Scheme Advisory Board

The Public Service Pensions Act 2013 requires a Scheme Advisory Board for the Local Government Pension Scheme in Scotland and this was established on 1 April 2015. Its main function is to advise Scottish ministers, when requested, on the desirability of changes to the Scheme. They can also provide advice to scheme managers and pension boards in relation to effective and efficient administration and management of the Scheme.

The membership of the Board comprises of seven member representatives and seven employer representatives and a Joint Secretary is appointed in support of each of the Member and Employer groups. Councillor Rankin has been appointed a member of the Scheme Advisory Board. Officers of Lothian Pension Fund have also been called upon to advise the Board and its Joint Secretaries.

Lothian Pension Fund staff

The Investment and Pensions Division of the Resources Directorate of the City of Edinburgh Council carries out the day-to-day running of all three pension Funds. The Division functions include investment, pension administration and payroll, communications and accounting. The investment responsibilities include carrying out in-house investment management and monitoring and selecting external investment managers.

In February 2015, two limited companies (LPFE Limited and LPFI Limited) were established to facilitate the development of the internal investment capabilities and improve governance as well as delivering efficiencies for the administration of the Funds. Both companies are wholly owned and controlled by the City of Edinburgh Council as the administering authority of the Funds.

LPFI Limited has been established to support the investment programme of the in-house investment team by providing operational and other efficiencies; carrying out business from a vehicle authorised by the Financial Conduct Authority (FCA). Authorisation from the FCA is pending and is expected in the summer of 2016.

The employment of the internal investment team was transferred to LPFE Limited in May 2015. Revised terms and conditions of employment have been put in place, closer to those of comparable employers.

Over the year, senior officers were:

Alastair Maclean, Director of Corporate Governance, The City of Edinburgh Council (to 31 December 2015)
Hugh Dunn, Acting Executive Director of Resources, The City of Edinburgh Council (from 1 January 2016)
Clare Scott, Chief Executive of Lothian Pension Fund
Bruce Miller, Chief Investment Officer of Lothian Pension Fund
Struan Fairbairn, Chief Risk Officer of Lothian Pension Fund
John Burns, Chief Finance Officer of Lothian Pension Fund
Esmond Hamilton, Financial Controller of Lothian Pension Fund.

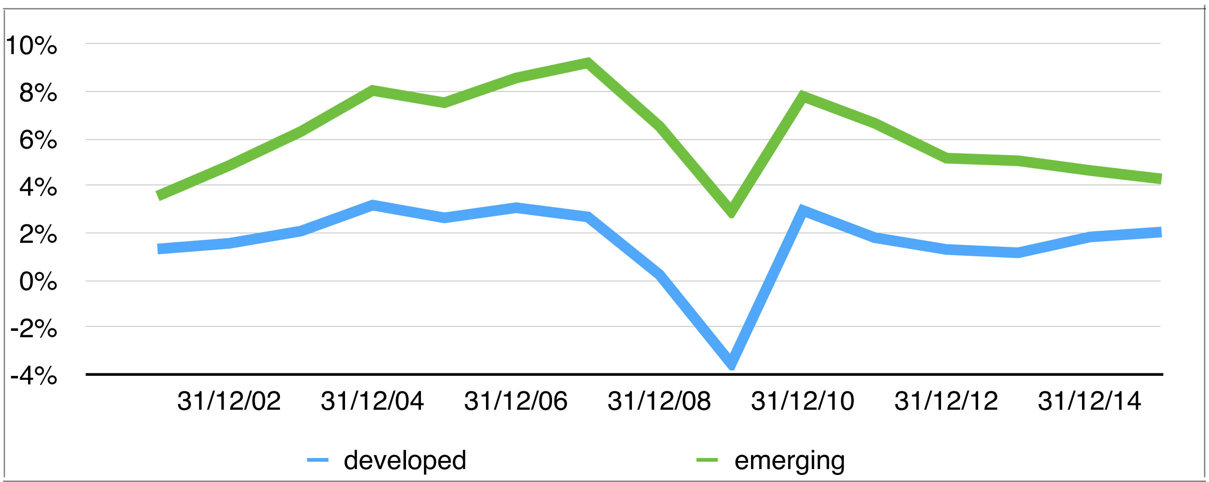
Investment Strategy Panel

The Pensions Committee sets the overall investment strategy with the implementation of that strategy, including investment monitoring, delegated to the Executive Director of Resources who takes advice from the Investment Strategy Panel. The Investment Strategy Panel meets quarterly and comprises the Executive Director of Resources of the City of Edinburgh Council and the Chief Executive, Chief Financial Officer and Chief Investment Officer of Lothian Pension Fund along with three external advisers. The external advisers are Gordon Bagot, Scott Jamieson and KPMG, represented by David O’Hara.

Investment markets

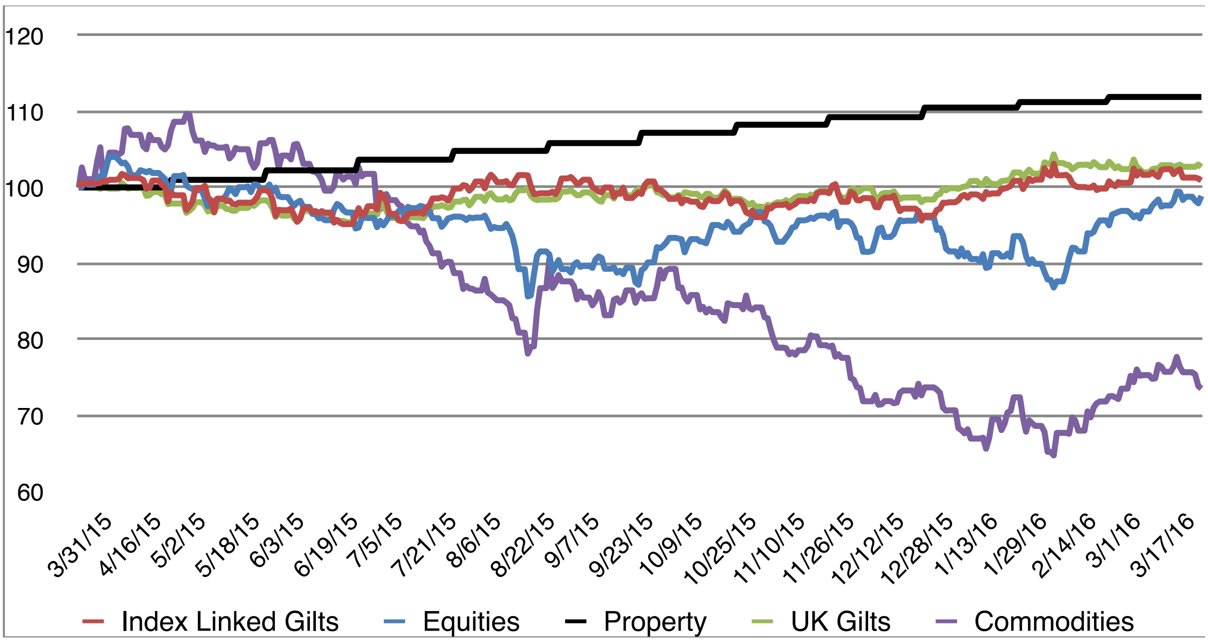
UK economic growth moderated somewhat in 2015, slowing from 2.9% in 2014 to 2.4% in 2015. The recovery in the labour market continued with unemployment falling to a 10 year low of 5%. Despite this, wage growth has remained subdued, with average earnings staying around 2%. The big surprise of 2015 was inflation falling below zero as oil and other commodity prices continued their slump. Other global economies showed quite diverse growth rates. Growth in developed economies have broadly returned to levels prior to the 2007/08 global financial crisis, around 2%. Growth in emerging markets on the other hand, has reduced significantly over recent years. Brazil and Russia are in recession and growth in China has slowed markedly.

Divergence between Developed Market and Emerging Market Economic Growth



Asset markets gave relatively lacklustre but volatile returns during 2015/16. Equity market returns were mainly negative, with only the US giving a positive return to UK investors, of 3%. The UK, Eurozone and Japan all gave returns of between -4% and -7% to a UK investor. The worst performing equity markets were those of the emerging markets, with Brazil and China returning -9% and -16% respectively in Sterling terms. The UK index-linked government bond market produced a modest positive return of 2%. Property returns were strongly positive, giving a return of +11%.

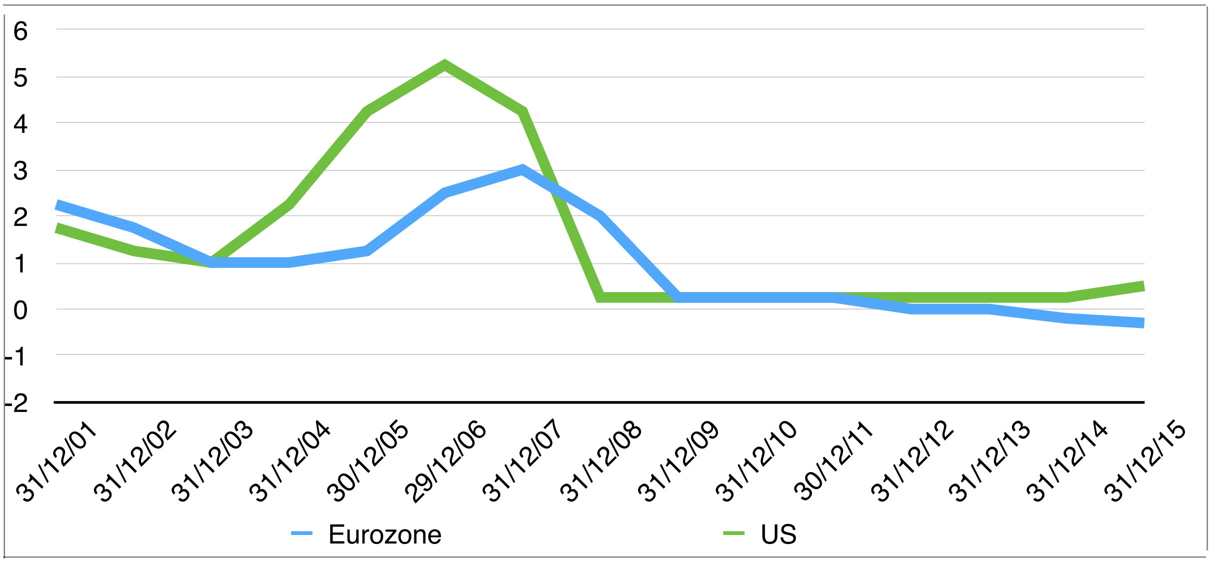
One Year Asset Class Returns – Major Markets (rebased to 100)



The outlook for asset markets relies on developed markets continuing to grow and for emerging markets to recover. In the US, the Federal Reserve has felt confident enough in the growth outlook to raise rates by 0.25%, the first monetary tightening in 9 years. Only a very slow and gradual further increase in interest rates is expected, due to low US inflation and the weakness of the global economy. Both Eurozone and Japan have continued to ease monetary policy in the face of domestic economic weakness and falling inflation. Further easing in both areas is expected in 2016. Growth expectation in the UK is between the US and Eurozone. Brexit fears have weighed on the currency and investment intentions. UK monetary policy has been unchanged for over 7 years.

Higher US rates, lower European rates

The outcome of the Brexit referendum, the speed of interest rate rises in the US and the performance of emerging economies will have a major impact on global assets. Longer term, asset returns are likely to remain low as global growth, inflation and interest rates all remain subdued.



Management commentary

Investment strategies

Over 2015/16, both Lothian Pension Fund and Lothian Buses Pension Fund reduced their equity allocations and continued to make new commitments to alternative assets, including timber and infrastructure investments in Scotland, UK and overseas. Investments in index-linked government bonds were modestly increased.

Scottish Homes Pension Fund adjusted its asset allocation in response to changes in its funding level during the year, and between 31 March 2015 and 31 March 2016, it increased its equity allocation and decreased its bond allocation due to a small decrease in the funding level.

Strategies are implemented utilising our experienced internal team of investment professionals. The guiding principle is to use strong internal investment capabilities to their maximum potential and to retain external managers for specialist mandates.

Over the past 6-7 years, the internal team has expanded with very positive effects on costs and capabilities. This is reflected in two structural shifts. Firstly, the percentage of Lothian Pension Fund's listed equity assets managed internally has risen from 23% to more than 85% and the majority of publicly traded bond assets are also managed internally. Secondly, the Fund has altered the construction of the listed equity assets, increasing the global mandates from 32% to more than 85%. Despite these large changes in the Fund, equity returns have been ahead of benchmark by 1.5% per year over the last five years and this has been achieved with lower risk than the benchmark.

Lothian Pension Fund and Lothian Buses Pension Fund also invest in private markets, selecting specialist managers to access a wide range of opportunities that are not available in the public markets. Over the past 10 years, the investment team has built a portfolio of private market assets in equity, debt, real estate, timber and especially in infrastructure, which is the largest proportion of the private market assets held and are described in more detail below.

The review of investment strategies for all three Funds during 2012 resulted in five year plans (2012-17) to achieve a reduction in investment risk. The investment strategies were again reviewed during 2015, taking into account the results of the 2014 actuarial valuations.

For Lothian Pension Fund, the Pensions Committee agreed that there was no reason to change its long term strategic allocation of assets as agreed in the 2012-17 investment strategy. The Fund will continue to implement that strategy over 2016 and 2017.

For Lothian Buses Pension Fund, the review of strategy has greater implications. In March 2016, the Pensions Committee agreed a revised long term strategy allocation for the five year period 2016-21. This makes meaningful changes to asset allocation over that timeframe reflecting the requirement for greater funding stability as the Fund matures. In addition, as Lothian Buses Pension Fund is defined in regulations as a sub-fund of Lothian Pension Fund, the Pensions Committee agreed that the option for it to be merged into Lothian Pension Fund would be explored in consultation with stakeholders.

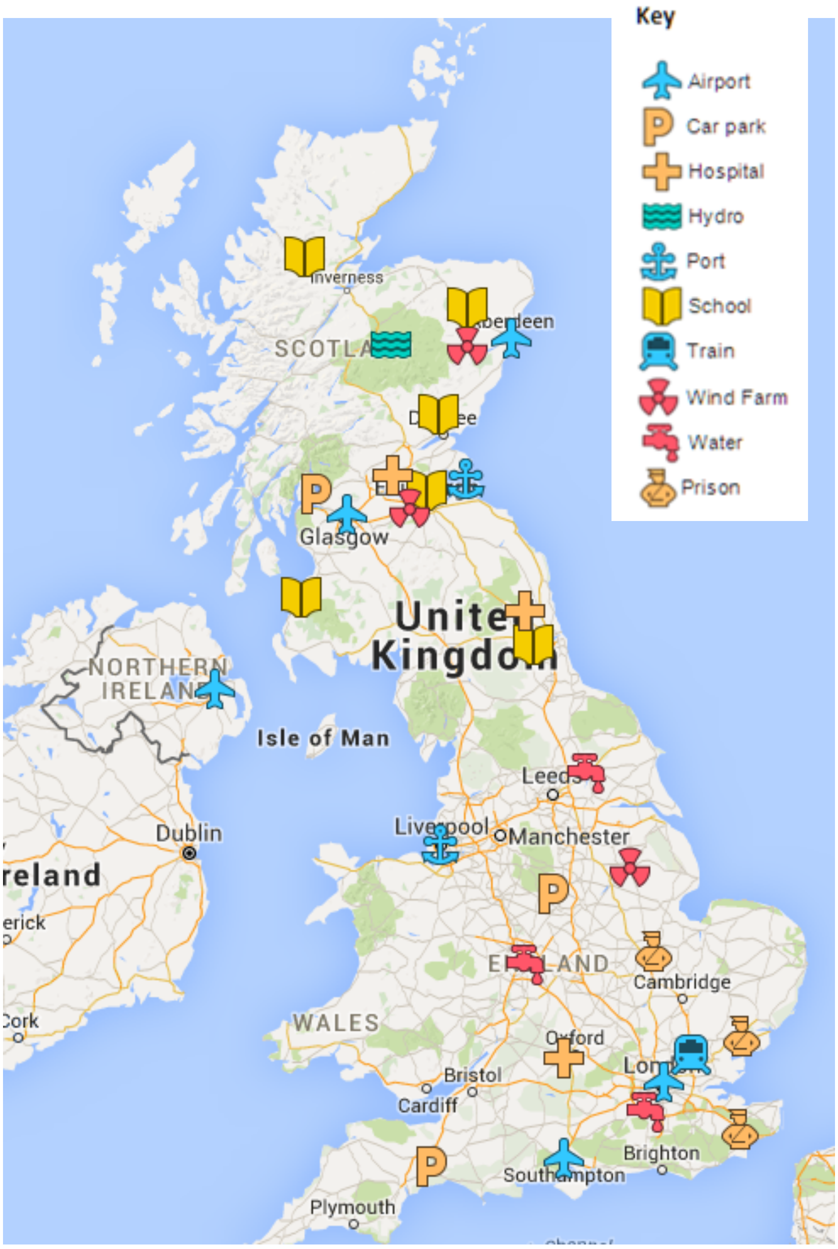
For Scottish Homes Pension Fund, the review concluded that a less prescriptive investment and funding strategy would allow a higher-yielding investment strategy and a more flexible approach to setting contributions. The current investment strategy adjusts asset allocation based on the evolution of the funding level. It is a bond-focused strategy, which generates an annual income yield of less than 2%, and so the Fund is required to sell assets on a regular basis to pay pensions. Proposals have been put forward to the Scottish Government to change and update its funding agreement and it has agreed to consider alternatives to the existing funding approach. Until options are explored further, Scottish Homes Pension Fund will continue to implement the existing investment strategy.

Infrastructure investment

Infrastructure investment has received much publicity over the past year as the UK and Scottish governments encourage Local Government Pension Schemes to increase their investment in this area. Infrastructure investments may offer the potential to generate attractive risk-adjusted returns based on cash flows that are often linked to inflation and can play a diversifying role in the Funds' strategies.

Lothian Pension Fund operates a dedicated multi-strategy real assets team to manage its infrastructure allocation. Over the last decade, it has developed its reputation, network and execution capabilities to secure access to investment opportunities within this market niche. Our experienced team appraises, models and invests in primary and secondary funds as well as co-investments to achieve its target allocation in a cost effective manner. An important element of the implementation strategy is to work with managers to ensure execution certainty and to understand transaction fees fully.

Infrastructure investments represented 8% of the value of the Lothian Pension Fund at 31 March 2016, one of the largest and most diversified allocations compared with other UK Local Government Pension Funds.
Lothian Buses Pension Fund investments in infrastructure accounted for 6% at 31 March 2016. Of the £439million invested in infrastructure, 55% is invested in a diverse range of projects in the UK. The map below shows some of the infrastructure projects.



Management commentary

During 2015/16, Lothian Pension Fund completed one primary fund investment, acquired five secondary fund interests at material discounts to net asset value and invested in four co-investment and/or single asset investment vehicles. Approximately £182million has been invested over the year in UK, European and infrastructure assets, including UK hydro, wind, solar, gas distribution and the Thames Tideway Tunnel.

Over the last year, we have collaborated with Falkirk Council Pension Fund on five infrastructure investments. A staff secondment arrangement shares internal staff costs between the funds, supports Falkirk's strategy to increase its allocation to UK infrastructure and gives them access to opportunities that would not have otherwise been available.

Financial Conduct Authority approval (once obtained) will enable us to more effectively collaborate in this sector, and for Lothian to benefit from scale in the market whilst further supporting other institutional pension funds in accessing infrastructure markets.

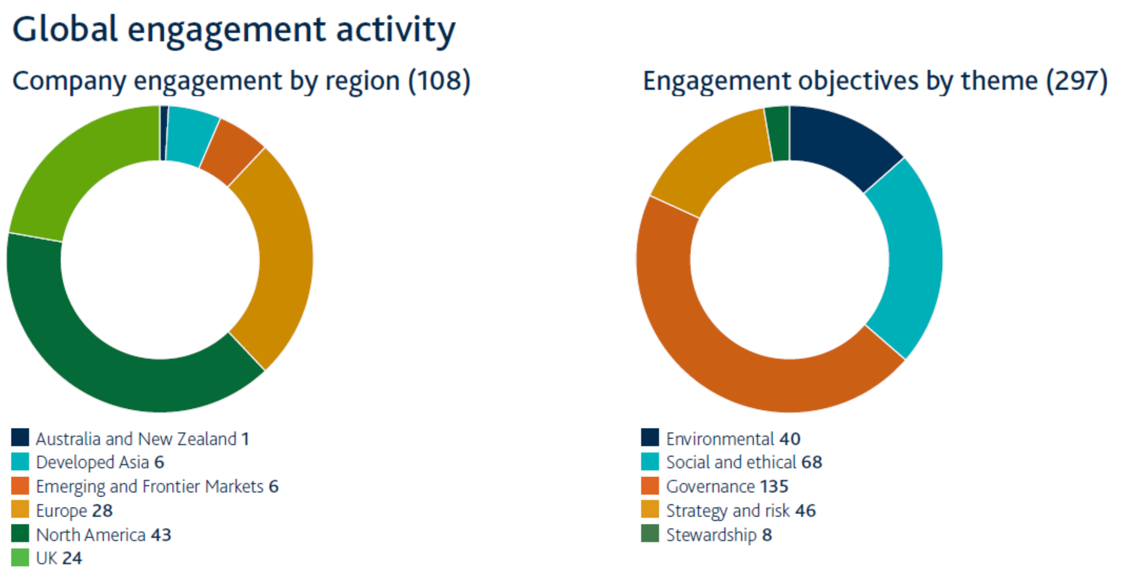
Responsible investment

We strive to be active shareholders in order to enhance the long-term value of our investments. We consider environmental, social and governance issues in the investment process in a manner which is consistent with the fiduciary duty to provide the highest standard of stewardship on behalf of the members and employers.

Robust arrangements are in place to ensure that the our shareholdings are monitored and appropriate voting and engagement activity is undertaken with the aim of bringing about positive long term change at companies through a focused and value oriented approach.

We are a signatory to the Principles for Responsible Investment and publish how we meet the Financial Reporting Council UK Stewardship Code requirements, which promote public disclosure of stewardship activities. We undertake voting and engagement activities through Hermes Equity Ownership Services for the majority of our investments. Baillie Gifford and State Street take direct responsibility for stewardship issues for the investments they manage on our behalf.

Over the year, we voted at shareholder meetings of more than 600 companies in which we were invested. We voted on over 9,000 resolutions and opposed over 600 of them. Hermes Equity Ownership Services engaged on our behalf with companies across the world on topics such as board structure, executive compensation, climate change and community relations. We supported the "Aiming for A" coalition which seeks transparency over climate change risks and opportunities in mining companies and we co-filed a shareholder resolution at Rio Tinto.



Councillor Cameron Rose, a member of the Pensions Committee, is Vice Chair of the Local Authority Pension Fund Forum (LAPFF), which promotes the investment interests of local authority pension funds and seeks to maximise their influence as shareholders. In his LAPFF role, Councillor Rose meets with boards of companies and attends company Annual General Meetings to represent shareholders' interests.

Administrative expenses

A summary of the Division's administrative expenditure for 2015/16, against the budget approved by Pensions Committee, is shown in the table below.

The budget focuses on controllable expenditures and therefore excludes all benefit payments and transfers of pensions from the Fund. Similarly, income does not include contributions receivable and pension transfers to the Fund. The total net cost outturn of £11,118k against budgeted of £11,894k represented an underspending of £776k (6.5%) for the pension fund. The key budget variances serving to generate this underspending were:-

- Other third party payments - £633k underspend. This saving arose primarily from investment broker research costs continuing to be paid via commission, rather than being invoiced directly. The budget also included provision for preliminary expenses incurred in exploring potential investments but not concluding in an asset purchase. In the event, no such outlays were written off and the budget of £200k was not utilised. Miscellaneous other costs amounted to £67k in excess of budget.

- Employees - £319k underspend. This arose from savings in unfilled posts and also the timing of recruitment.

- Supplies and services - £226k underspend. Savings were realised across a range of budgets within this cost classification. These included lower than anticipated outlays for investment legal fees, £60k; investment asset system costs, £45k; establishment of wholly-owned companies, LPFE Limited and LPFI Limited, including application to Financial Conduct Authority for the latter, £30k, printing and postage expenditures, £25k. Miscellaneous other savings totalled £66k.

- Investment management fees - £191k underspend. This saving arose from greater use of in-house investment management expertise, with three external fund mandates being terminated and assets transferred. This occurred late in the financial year and therefore realised savings were proportionately lower. Investment management fees are also linked to asset performance. Investment returns remained lower than the prudent assumption of an 8% return used to derive the budgeted fee expenditure. Savings of £450k, however, were offset by additional fee outlays in pursuit of infrastructure investments.

- Income - £586k lower receipts than budgeted. Securities lending commission fell significantly short of budget. This reflected the generally lower than anticipated volume of securities lending activity in investment markets, particularly in the United States, and also reflected changes to the underlying asset holdings. Specifically, 50% of stock lending commission received by the Division in the previous year had been derived from a single stock. The income from this stock proved less reliable in the first quarter of this year and was sold, on investment grounds, during the second quarter.

	Approved budget	Actual outturn	Actual variance
	£000	**£000**	**£000**
Employees	2,489	2,170	(319)
Property	188	194	6
Plant and Transport	37	32	(5)
Supplies and Services	1,095	869	(226)
Investment Managers Fees - Invoiced	8,100	7,909	(191)
Other Third Party Payments	1,286	653	(633)
Capital funding - Depreciation	80	83	3
Direct Expenditure	13,275	11,910	(1,365)
Support Costs	276	279	3
Income	(1,657)	(1,071)	586
Total net controllable cost to the Funds	11,894	11,118	(776)

	Actual outturn
	£000
Actual outturn on budgeted items above	11,118
Add back securities lending revenue included in income above	892
Investment property administration costs	497
Investment transaction costs	2,260
Investment management fees deducted from capital	23,126
Securities lending management fee	255
IAS19 LPFE retirement benefits	180
LPFE deferred tax on retirement benefits	(36)
LPFE corporation tax losses utilised by CEC group	(5)
Total cost to the Funds (inclusive of full investment management fees)	38,287
Per Fund Accounts	
Lothian Pension Fund	36,286
Lothian Buses Pension Fund	1,779
Scottish Homes Pension Fund	222
Total	38,287

Funding and cash-flow

Cashflow to and from a pension fund is very dependent upon the profile of its membership. Specifically, a maturing membership, where the proportion of active to deferred and pensioner members is reducing, will result in a relative reduction in contributions received, together with additional outlays on payments to pensioners.

For Lothian Pension Fund, a significant early retirement initiative from the largest employer, the City of Edinburgh Council, resulted in a marginal decrease in the total active membership (-0.6%) over the year. The impact on funding was that net additions from dealing with members, although remaining positive at £11.4million, fell by £7.9million (40.9%). The impact of higher lump sum and pension payments was offset by the policy of the Fund that any pension strain cost associated with early retirement is paid in full immediately on the member's retirement.

As a fund which is closed to new entrants, the income and expenditures of Lothian Buses Pension Fund reflect this relative maturity. As at 31 March 2016, outlays from dealing with members remained in excess of receipts by £1.3million. This represents a change of £0.5million on the position as at 31 March 2015, where net outlays totalled £1.8million. Primarily, this resulted from the phased increase in contributions from the employer, £0.4million, as agreed at the 2014 actuarial valuation.

Scottish Homes Pension Fund is a mature fund with no active members. As a result, pension outlays are met from investment income and asset sales, supplemented by funding from the Scottish Government. Net pension outlays were £7.0million, an increase of £0.2million (3.0%) on the previous year.

Membership statistics for the three Funds and funding statements from the Actuary are provided at the Fund accounts section.

Investment cost benchmarking

Investment strategy focuses on risk adjusted returns net of costs. Investment data is provided to CEM, an independent benchmarking expert for global pension funds. CEM calculates a benchmark for the Lothian Pension Fund based on fund size and asset mix, which are key drivers of investment costs.

Reflecting the Fund's commitment to internal management, including the ability to implement transitions, investment costs are below that of CEM's benchmark of global peers. The latest analysis shows Lothian Pension Fund's investment costs at 0.39% are significantly lower than CEM's benchmark cost of 0.50% an equivalent saving of approximately £5million a year.

Investment management cost transparency

Local authorities are required to account for pension funds in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The Code now requires that preparers have regard to CIPFA guidance "Accounting for Local Government Pension Scheme Management Costs"

CIPFA published guidance "Accounting for Local Government Pension Scheme Management Costs" in July 2014, which promoted greater transparency of investment management fees. These principles were adopted as best practice in the presentation of the Lothian Pension Fund audited Annual Report 2015. In March 2016, CIPFA revised its guidance including the following -"Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the Fund Account."

The revised guidance changes the disclosure of fees for fund of funds investment arrangements. A "fund of funds" is an investment holding a portfolio of other investment funds rather than investing directly in stocks/ securities. Typically fees are due to the "fund of funds" manager as well as to the managers of the underlying funds they are invested in. Generally, under the revised guidance from CIPFA this second layer of fees would not be disclosed with just the fees from the "fund of funds" manager disclosed.

In the preparation of Lothian Pension Fund's 2014/15 Annual Report the Fund made efforts to be completely transparent on the totality of costs incurred for managing its investment assets. The Fund's disclosures included all layers of fees.

The Fund believes that full transparency of investment costs is crucial to providing a full understanding to the most significant cost of managing a pension fund. Accordingly, the Fund has maintained this principle in this years financial statements and continued to disclose all investment cost in the financial statement for the year and therefore is not compliant with the revised CIPFA guidance. However, the Fund feels that the principle of full investment management cost transparency should be maintained. The table below demonstrates the difference in reporting between CIPFA's recommendations and full transparency in investment costs for 2015/16.

	Investment Management expenses in compliance with CIPFA	Investment Management expenses per 2015/16 financial statements	Variance from full disclosure
	£000	£000	£000
Lothian Pension Fund	27,625	34,400	6,775
Lothian Buses Pension Fund	1,309	1,677	368
Scottish Homes Pension Fund	169	169	0
TOTAL	29,103	36,246	7,143

Risk management

The Funds are committed to a strong control environment to ensure that risks are identified, understood, managed and monitored appropriately. The risks faced by the Funds change over time and ongoing management of risk is crucial. The Funds also have a compliance policy and each manager is responsible for ensuring compliance within their area of responsibility.

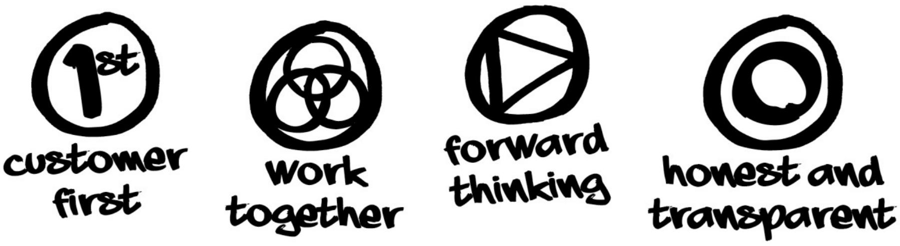
As at 31 March 2016, the most significant risks (after taking account of risk reduction controls), as assessed using a score out of 10 by the Investment and Pensions Service Management Team, were as follows:

Description	Impact	Likelihood	Risk score
Adverse investment performance leading to pressure on employer contributions	5	4	20
Adverse movement against non-investment funding assumptions leading to pressure on employer contributions	5	6	30
Collapse/restructuring of an employer body leading to pressure on other employers	4	8	32
Recruitment and retention of key staff	5	7	35

Performance

The Fund has a strong commitment to customer service. We continually develop our services to ensure the best possible service for customers whilst recognising potential demands of the future. Our vision, objectives and key actions are shown in our service plan along with how we measure their success. Our progress is reported regularly to the Pensions Committee and Pension Board.

To ensure we meet this aim we have set the following objectives for our service:



In 2015/16, we have delivered the following achievements:

- Implemented LGPS2015 scheme changes, the most significant changes to the Scheme since it began
- Established a new Pension Board and embedded it into the Funds' governance
- Set up two new companies LPFE Limited and LPFI Limited and transferred investment staff to LPFE Limited
- Submitted an application to the Financial Conduct Authority for the registration of LPFI Limited
- Established a new data quality team and developed enhanced performance measures to monitor membership data
- Participated in discussions being undertaken by LGPS funds in England and Wales on investment pooling
- Commenced implementation of investment unitisation system
- Commenced work to undertake Guaranteed Minimum Pension (GMP) reconciliation with HMRC
- Continued to provide a shared service to Falkirk Pension Fund.

Performance against key objectives

We put our customers first and aim to provide the very best service.

	Target	Actual
Maintain Customer Service Excellence Standard	Retain	Retained
Overall satisfaction of employers, active members and pensioners with our services as measured by surveys	87%	86%
Proportion of active members receiving a benefit statement by 31 August 2015	96%	98%

Customer Service Excellence

To maintain our commitment to customer service, we use the Customer Service Excellence (CSE) framework which ensures we are continuously making improvements. We are assessed annually by an external assessor and at our assessment in February 2016, we retained the CSE award for another year. We also gaining an additional Compliance Plus award bringing the number held to five for areas such as complaint handling and working with employers.

In 2016, the assessor said, “All told a very sound submission from what is clearly a very customer focussed organisation.”

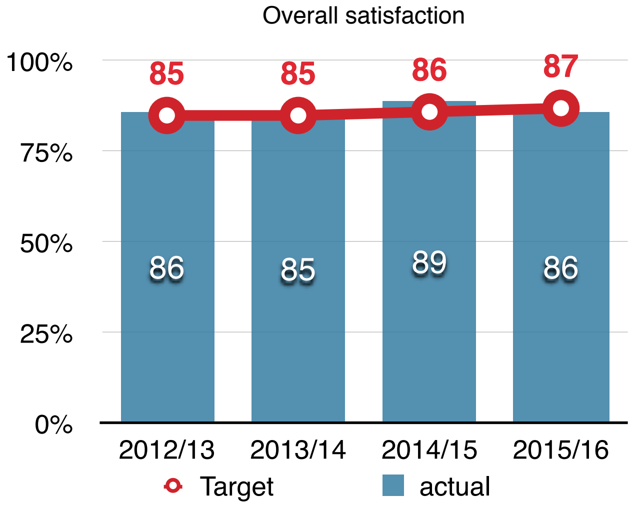
Customer satisfaction

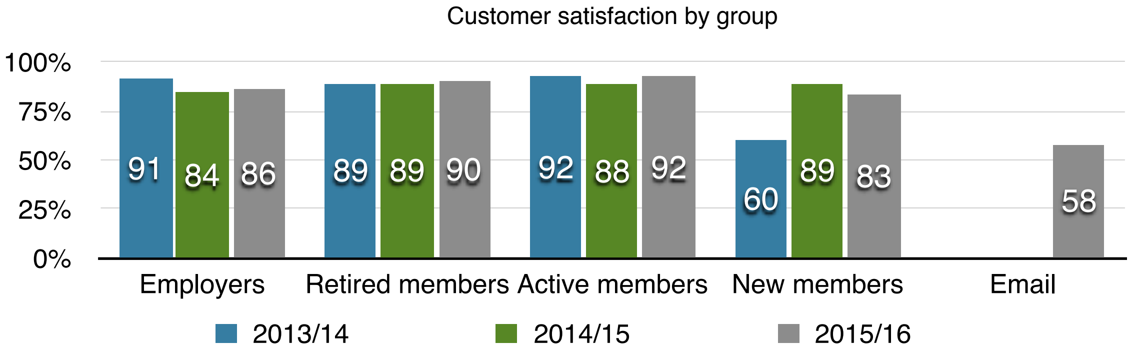
Our overall customer satisfaction over the year was 86%, just below the target of 87%. The chart on the left shows actual satisfaction against target since 2012/13.

The chart below shows customer satisfaction broken down by customer groups.

The year 2015/16 was the first time we have measured the satisfaction of those receiving services via email. As a result of feedback received, improvements have been implemented over the year to email service including quicker and more-focussed responses.

These have resulted in increased satisfaction over the course of the year, from 49% in the first quarter to 74% in the last quarter.





Complaints

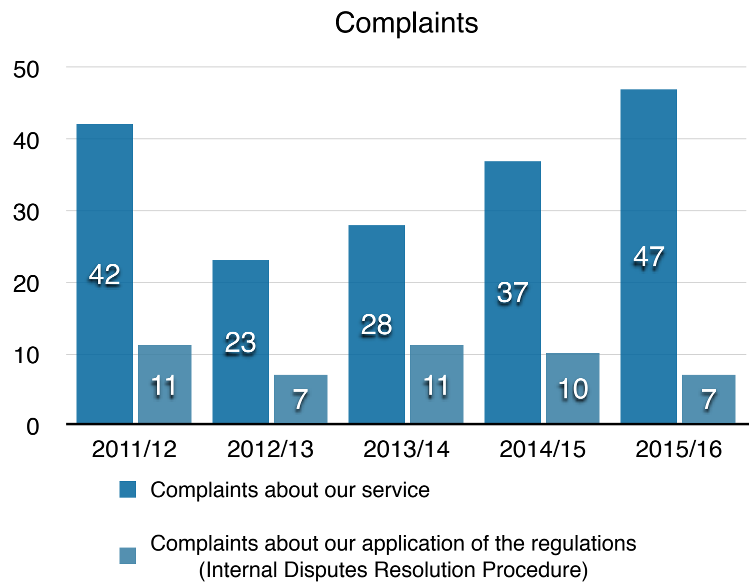
We monitor the complaints we receive on a monthly basis. We respond promptly to any complaints, investigate them and learn from them to improve the service. We categorise our complaints in two ways:

Complaints about our service
Complaints about our application of the regulations

The graph shows the number of complaints in each of the categories. These represent less than 0.2% percentage of the procedures (over 23,000) we carried out in 2015/16. The most common cause of complaint during 2015/16 was the delay in processing requests for transfers out of the Funds.

Following changes to the Scheme on 1 April 2015 there was a delay in updating the pension administration software used by all Scottish LGPS Funds. Increased public awareness of the new Freedom and Choice available from 6 April 2015 increased the number of requests for transfers and this compounded the problem. As soon as the software was updated in September, resource was immediately focussed on dealing with the requests.

Another theme identified was that members did not understand the complex scheme rules on trivial commutation (taking a small pension as a one-off cash lump sum where the payment extinguishes rights to benefits under the scheme). We used feedback to improve our retirement communications and now explain the triviality rules and the tax implications.



Annual benefit statements and data quality

We issued 98% of benefit statements by 31 August 2015. High quality data is essential to provide an excellent service to our members and for the provision of benefit statements and to meet The Pension Regulator's target of all members receiving their benefit forecast by 31 August. During the year more than 85 employers submitted monthly contribution data, leading to cleaner membership data, quicker services to members and fewer queries at the end of the year.

Along with our employer web portal, introduced to assist with the transfer of data, we have adopted other initiatives to improve member information. These include participation in specialist longevity and data analyses through "Club Vita", a service provided by the Funds' Actuary. We also carry out quarterly checks with the General Register Office and participate in the National Fraud Initiative. In 2014, we carried out a matching exercise for deferred members where we have lost touch with them. The project is currently being followed up with contact being made where a possible match has been found.

Following the end of contracting-out of the Second State Pension (S2P) on 5 April 2016, pension schemes need to reconcile the GMP values they hold for members with those calculated by HMRC. Schemes will be obliged to pay whatever GMPs are attributed to them, even those that may be incorrectly calculated or have been transferred out. An initial assessment shows 54% matching HMRC records and reconciliation is underway for the remaining records.

work together

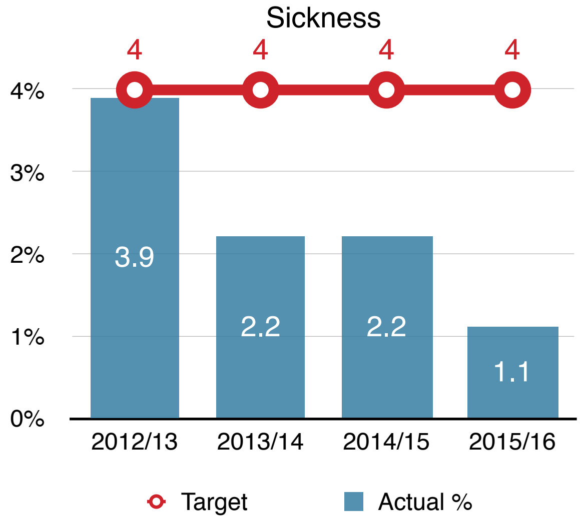
Our people are at the very heart of our business and we work together to deliver our service.

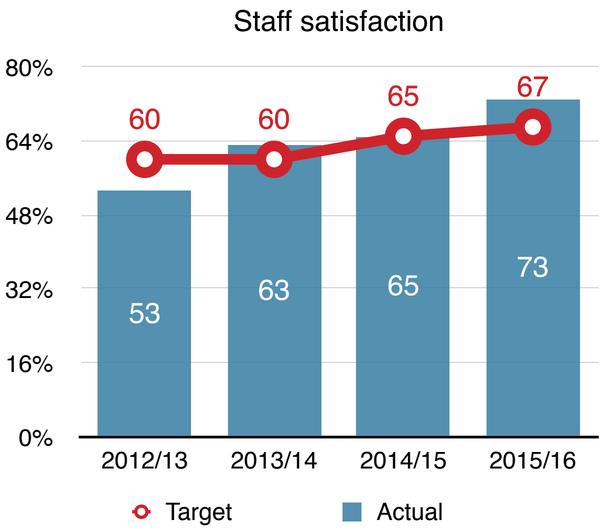
	Target	Actual
All staff complete at least two days training	Yes	Yes
Level of sickness absence	4%	1.1%
Staff survey satisfaction	67%	73%

Key indicators for staff in 2015/16 were overall staff satisfaction, sickness absence levels and training hours completed. All targets were achieved.

Over the last financial year, staff participated in regular training. As well as attendance at external seminars and training for qualifications, we held in-house sessions covering topics such as investments, annual accounts and funding.

The sickness absence rate was very low again at 1.1%.





Overall job satisfaction is measured during the annual staff survey. Overall satisfaction has continued to increase from 65% to 73% in 2015/16. This year's survey also saw the highest response rate with 49 out of 54 staff responding to the survey.

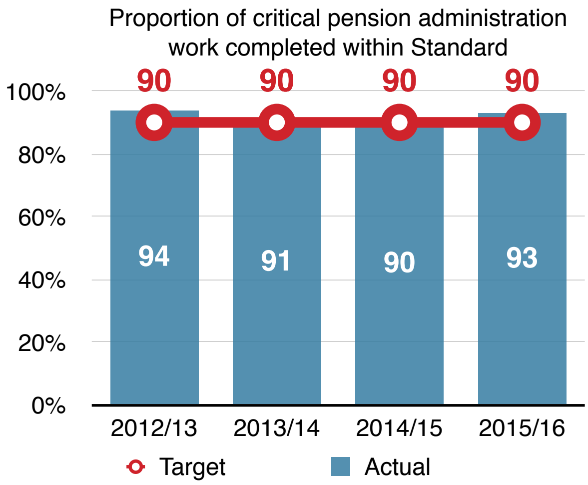
forward thinking

We strive to improve our services by thinking ahead and developing new solutions.

	Target	Actual
Proportion of critical pensions administration work completed within standards	Greater than 90%	93%

Our in-house pension administration team provides a dedicated service for the three pension Funds. We monitor the time taken to complete our procedures. Key procedures include processing of retirement and dependent benefits, providing information for new members, transfers and retirement quotes.

The Scheme changes from April 2015 have seen administration becoming more complex for both the Fund and employers. We continue to review our processes to improve our performance so that the Fund is in a position to meet new challenges. Despite the challenging environment, 93% of key procedures in 2015/16 completed in target.



In order to ensure we receive the necessary data from employers to administer pensions, we reviewed and updated our Pensions Administration Strategy to take into account recent regulatory changes and to further enhance data quality and service standards.

The Pensions Administration Strategy sets out the roles and responsibilities of both the Fund and employers and specifies the level of services the parties will provide to each other.

The Pensions Committee agreed to pass on costs of poor performance from employers, and the revised Strategy now includes reference to charges in four key areas:

- Late payment of contributions
- Late submission of membership information at the end of the year
- Failure to provide the Fund with information required to provide members with pensions savings statements
- Failure to provide details of member contributions on a monthly basis.

These areas are particularly important to ensure compliance with legislation, including accurate data to administer the new career average pension scheme and the new requirement to provide members with a pension forecast by 31 August each year. Charges for late payment of contributions are as stated in the Scheme regulations whilst other charges have been set to reflect the additional time spent in resolving queries and pursuing late information.

The Fund monitors employer performance against the standards set out in the Pension Administration Strategy. Results are reported to employers by way of an annual performance report and more frequently for larger employers.

Overall employer performance for 2015/16 is shown below, with 2014/15 shown for comparison purposes.

		2014/15			2015/16		
Case type	**Target (working days)**	**Number received**	**Number within target**	**% within target**	**Number received**	**Number within target**	**% within target**
New members	20	4,741	3,631	**77%**	4,653	4,074	**88%**
Leavers	20	2,430	1,189	**49%**	2,377	1,207	**51%**
Retirements	20	931	373	**40%**	1,156	398	**34%**
Deaths in Service	10	29	7	**24%**	40	11	**28%**

In 2015/16, the proportion of new member, leaver and death in service cases where the information was received from employers within target timescales has improved from 2014/15. However, information continues to be received later than target for a significant proportion of these cases.

In contrast the provision of information for retirements within target timescales has worsened over the year. In part this was due to one of the largest employers carrying out a large-scale early retirement exercise. Of the retirements within 2015/16, 77% were due to members retiring early or on redundancy or efficiency grounds. 10% of the retirements were due to ill health.

honest and transparent

We are committed to supporting a culture of honesty and transparency.

	Target	Actual
Audit of annual report	Unqualified opinion	Yes
Monthly pension payroll paid on time	Yes	Yes
Contributions received within 19 days of the end of the month to which they relate	99.0%	98.9%
Data quality - compliance with best practice as defined by The Pensions Regulator	Fully compliant	Yes

Our annual report and accounts are audited by Audit Scotland and has received an unqualified audit opinion since the Fund began providing its own annual report. The Funds also paid over £165million of pension benefits to our members, primarily into the local economy where most of our members live.

We also measure the payment of employer contributions which are to be paid by the 19th day of the month to which they relate. 98.9% of employer contributions were received in the timescale against the target was 99%. Of the £2.0m paid late, £1.4m represented three payments from two employers. The employers who paid late are listed in the Funding section.

Pension record keeping standards are also measured against The Pension Regulator's best practice guidance and appropriate assurance has been attained for the second year since introduction.

Common data	**Target**	**Actual**
New data (Post June 2010)	100%	100%
Old data (pre June 2010)	95%	96%
Conditional and numerical data		
Fund specific measurement including date of joining, pensionable remuneration, date of leaving and reasons for leaving etc.	98%	98%

Funding

Funding Strategy Statement

The Funding Strategy Statement sets out how we balance the potentially conflicting aims of affordability and stability of employers' pension contributions whilst taking a prudent long-term view of funding pension liabilities. The Funding Strategy Statement was revised at the 2014 Actuarial Valuation and further revised in November 2015. It can be viewed on our website at www.lpf.org.uk/publications. The Statement covers the funding strategies of each of the three Funds.

Employer appeals

The revised Funding Strategy Statement included a change for those employers with less than five active members and/or those who were within two valuation periods (6 years) of leaving Lothian Pension Fund. Such employers were invested in lower-risk investments, i.e. index-linked government bonds, with employer contribution rates set accordingly. This was in order to address the previous inconsistency between the actuarial and cessation valuations, raise awareness of pension deficits and reduce risk of employers being unable to pay deficits when the last member leaves.

Following representation from employers at Pensions Committee in March 2015, those affected were given leave to appeal their new contribution rates on affordability grounds. Of the 27 employers affected, 14 appeals were received.

The appeals were considered by the Pensions Committee at a special meeting in November 2015 and decisions were agreed for each of the employers. A revised rates and adjustments certificate with revised contribution rates was prepared by the Actuary. The Funding Strategy Statement was amended to include reference to these determinations and to clarify other issues raised by employers during the appeals process.

Unitisation of assets

Lothian Pension Fund is seeking to enhance the transparency of the fund assets attributable to each employer and, to that end, has procured a system of investment unitisation (asset tracking). This enables investment assets for each employer to be tracked on a monthly basis, with the cash flow of an employer resulting in either a purchase or sale of units. The aim is to implement this change at the coming actuarial valuation, as at 31 March 2017, and data has been loaded to the system retrospectively in readiness. Another benefit of the system is that it also facilitates the future provision of more tailored strategies to employers.

Tailored employer investment strategies

Lothian Pension Fund is seeking to provide more tailored investment strategies to individual employers from the next actuarial valuation in 2017. A system has been purchased that will enable tracking investment assets for each employer on a monthly basis with the cash flow of an employer resulting in either a purchase or sale of units.

Any new investment strategy would supplement the present high-level asset classes of equities, index-linked gilts and alternatives for the majority of employers, together with the wholly index-linked gilts funding for those employers closest to exit.

Employer contributions – late payments

The Pensions Act 1995 requires employers to pay pension contributions by the 19th of the month following the deduction from an employee's pay. This requirement is highlighted in the Fund's Pensions Administration Strategy.

We monitor this requirement via our key performance indicators to ensure compliance with the Act. The target for 2015/16 year was 99.0% pension contributions paid in time. 98.9% of contributions by value were paid on time.

Of the 1,180 payments made to the Fund in 2015/16, in total 71 were paid later than the target of the 19th of the month. The number of late payments for each employer is provided overleaf.

Employer	Number of late payments
Centre for the Moving Image	1
Children's Hearing Scotland	2
Citadel Youth Centre	4
Dawn Construction	2
Edinburgh Cyrenians Trust	3
Edinburgh Festival Society	1
Edinburgh World Heritage Trust	1
Edinburgh Leisure	1
ELCAP	1
Enjoy East Lothian	1
Festival City Theatres Trust	2
Forth & Oban	1
Four Square	8
Granton Information Centre	2
Homeless Action Scotland [1]	7
Fire Training College	1
Link In	1
Lothian Buses	1
Museums Galleries Scotland	5
National Mining Museum	1
Open Door Accommodation Project	1
Pilton Equalities Project	2
Police Scotland	2
Royal Edinburgh Military Tattoo	1
Scotland's Learning Partnership [1]	5
Scottish Fire & Rescue Service	2
Skanska	1
SSERC Ltd	1
Stepping Out Project	3
Victim Support Scotland	4
West Granton Community Trust	1
West Lothian College	1
Young Scot Enterprise	1
TOTAL	**71**

[1] includes contributions paid in part

Lothian Pension Fund

Membership records

Status	Membership at 31 March 2013	Membership at 31 March 2014	Membership at 31 March 2015	Membership at 31 March 2016
Active	28,869	30,622	32,273	32,079
Deferred	16,600	16,482	15,916	17,444
Pensioners	20,484	19,972	20,636	21,371
Dependants	4,064	3,770	3,810	3,849
Total	**70,017**	**70,846**	**72,635**	**74,743**

Investment Strategy

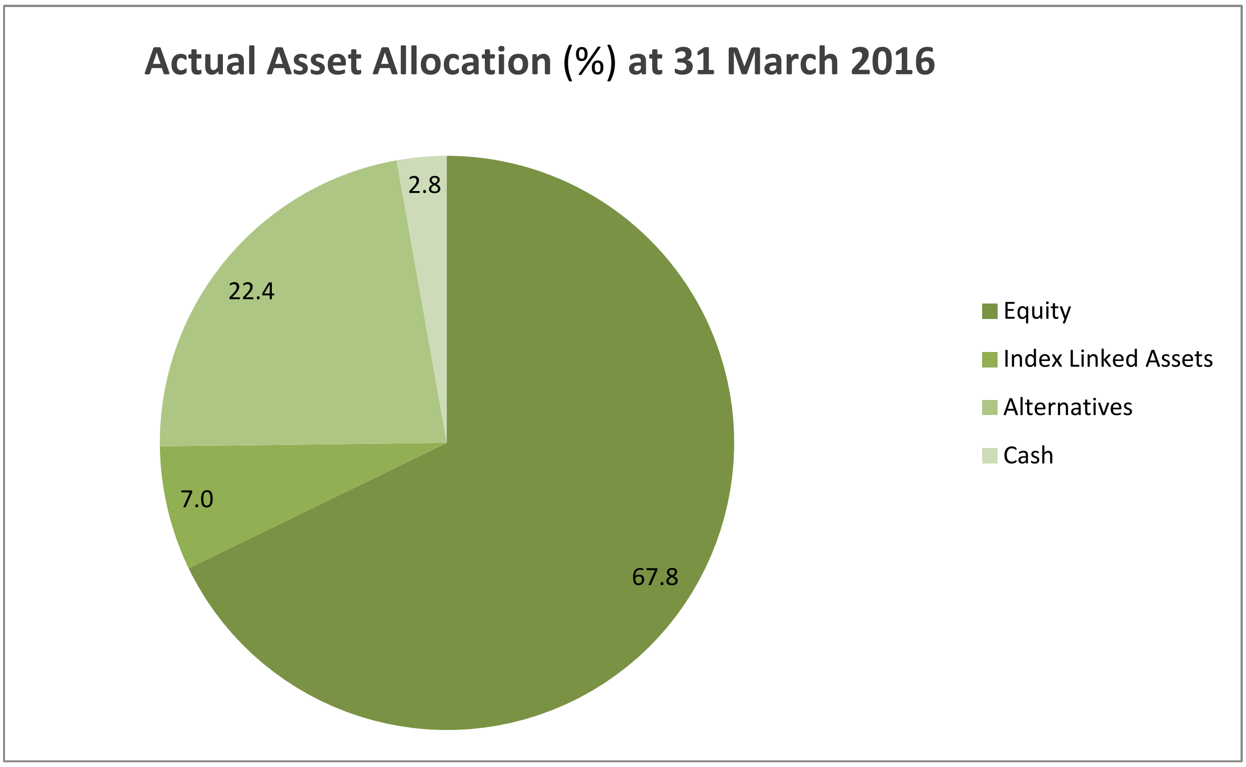
Following completion of the 2014 Actuarial Valuation, the Investment Strategy Panel and Pensions Committee reviewed the Fund's investment strategy in light of developments in pension fund membership, expected cash flow, funding level, investment risk and returns.

Lothian Pension Fund manages two investment strategies, which provides employers with access to an appropriate level of risk dependent on their individual characteristics (covenant strength, funding position, liability profile and time horizon). Most employer liabilities are funded in Strategy 1, which invests in a diversified portfolio of assets that are expected to generate positive real returns over the long term, but which will be volatile over shorter periods. Employers accounting for less than 1% of the Fund's liabilities are funded on a 'gilts' basis in Strategy 2, which invests in a portfolio of index-linked gilts to minimise risk for these employers.

Following completion of the 2014 Actuarial Valuation, the Fund’s Investment Strategy was reviewed. The Pensions Committee agreed in December 2015 that the Investment Strategy 2012-17 remained appropriate for the vast majority of employer liabilities. This strategy, Strategy 1, reduces the allocation to equities (including private equity) from 71.5% at the end of 2012 to 65% by the end of 2017 and increases the allocation to index-linked gilts and alternatives. (Alternatives include property, infrastructure, timber and fixed income assets, such as corporate bonds and other debt investments.) The strategy recognises a gradually changing risk profile for the Fund, but retains significant exposure to investments, such as index-linked gilts and equities, which have a history of protecting or enhancing purchasing power after the effects of inflation have been taken into account.

The long term strategy for 2012-17 is set out in the table below along with the current interim strategy allocation and the asset allocation limits under normal financial conditions.

Strategy 1	Strategic Allocation 31/03/2016 %	Long term Strategy 2012 - 2017 %	Permitted ranges %
Equities	67	65	50 - 75
Index Linked Assets	7	7	0 - 20
Alternatives	25	28	20 - 35
Cash	1	0	0 - 10
Total	**100**	**100**	**n/a**



The implementation of the Investment Strategy 2012-17 continued to proceed at a measured pace over 2015/16 as investment opportunities became available and as research on opportunities was completed. Progress towards the long term strategy allocation involves the interim strategy allocation and the actual asset allocation changing gradually over time. The pace of change can be accelerated or slowed depending on asset prices, the availability of alternative investments and research conclusions on new investment opportunities.

The most significant changes to the Fund over 2015/16 were the terminations of three external equity managers (one active global equity mandate and two active emerging market mandates) with the assets transitioned into internally managed, lower risk, global equity mandates. Approximately 88% of the Fund's equities are now managed internally with the majority of these in low cost, low turnover strategies, which are expected to enhance the Fund's risk-adjusted returns over the long term. The Fund continues to outsource investment management services for specialist mandates, which complement the portfolio strategies employed internally.

Investment performance

The objectives of the Fund are:

- over long-term economic cycles (typically 5 years or more) the achievement of the same return as that generated by the strategic allocation
- over shorter periods, the Fund should perform better than the strategic allocation if markets fall significantly.

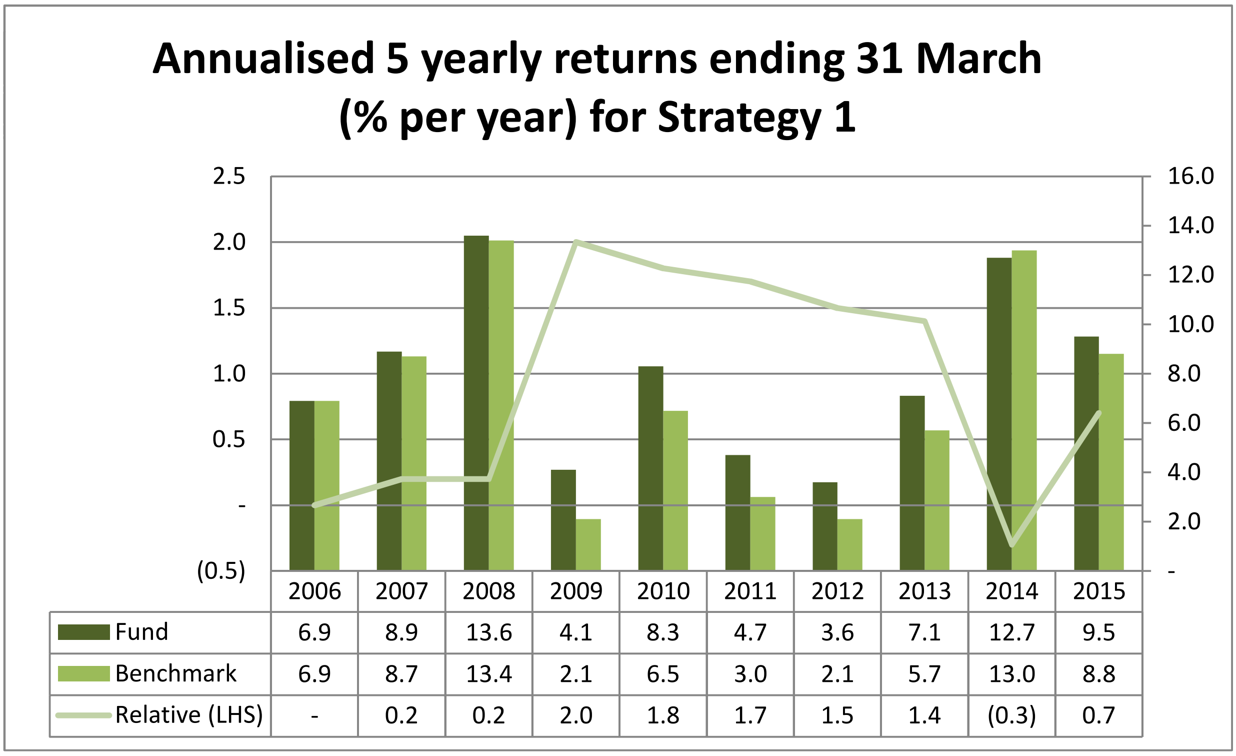
The Fund has achieved returns in excess of the strategic allocation over the last year and over the longer term timeframes shown in the table. The benchmark return shown in the table is the strategic allocation and comprises equity, index-linked gilts and cash indices as well as an inflation-linked index for the alternatives allocation.

Returns relative to the benchmark over a one year period need to be placed in the context that there are no ideal benchmarks for many of the assets held in the Fund, especially the Alternatives. The Fund's benchmark for Alternatives is inflation plus 3.5% per annum, which makes sense over the long term as the Fund's liabilities are linked to inflation. However, over shorter periods, there is less information content in the relative returns of the Fund because the development of asset prices is much more volatile than that of UK retail or consumer prices. The Investment Strategy Panel assesses the underlying risks of the portfolios that make up the asset allocation to ensure that these are consistent with the long term objectives of the Fund.

The strong performance relative to the benchmark over 2015/16 was largely attributable to equities (especially the large internally managed global portfolios) and the alternative investments, driven primarily by double digit return from the property and infrastructure portfolios, which benefited from the purchase of infrastructure assets at attractive valuations.

Annualised returns to 31 March 2015 (% per year)	1 year	5 year	10 years
Lothian Pension Fund	6.5	9.1	6.9
Benchmark	0.2	7.1	5.1
Actuarial Valuation Assumptions - Strategy 1 *	5.0	5.7	5.9
- Strategy 2 *	3.5	5.4	5.8
Retail Price Index (RPI)	1.6	2.3	3.0
Consumer Price Index (CPI)	0.5	1.7	2.4
National Average Earnings	1.9	1.6	2.2

*estimated



Lothian Pension Fund

Fund Account for year ended 31 March 2016

Restated* 2014/15 £000		Note	Lothian Pension Fund Parent 2015/16 £000	Lothian Pension Fund Group 2015/16 £000
	Income			
142,437	Contributions from employers	**5**	159,872	159,872
42,343	Contributions from members	**6**	42,800	42,800
6,452	Transfers from other schemes	**7**	2,780	2,780
191,232			**205,452**	**205,452**
	Less: expenditure			
128,701	Pension payments including increases	**8**	133,624	133,624
31,456	Lump sum retirement payments	**9**	46,315	46,315
3,593	Lump sum death benefits	**10**	5,336	5,336
423	Refunds to members leaving service		519	519
407	Premiums to State Scheme		417	417
5,580	Transfers to other schemes	**11**	6,075	6,075
1,780	Administrative expenses	**12a**	1,743	1,766
171,940			**194,029**	**194,052**
19,292	**Net additions from dealing with members**		**11,423**	**11,400**
	Returns on investments			
122,876	Investment income	**13**	134,113	134,113
613,941	Change in market value of investments	**15, 21b**	216,646	216,646
(27,413)	Investment management expenses	**12b**	(34,400)	(34,520)
709,404	**Net returns on investments**		**316,359**	**316,239**
728,696	**Net increase in the Fund during the year**		**327,782**	**327,639**
4,377,536	**Net assets of the Fund at 1 April 2015**		5,106,232	5,106,232
5,106,232	**Net assets of the Fund at 31 March 2016**		**5,434,014**	**5,433,871**

* The results for the year ended 31 March 2015 have been restated to reflect a change in the accounting policy on securities lending revenue and the related management charges. The effect is to increase both investment income and investment management expenses by £472k. There is no change in the net return on investement. See note 2 for details.

Lothian Pension Fund

Net Assets Statement as at 31 March 2016

31 March 2015 £000		Note	Lothian Pension Fund Parent 31 March 2016 £000	Lothian Pension Fund Group 31 March 2016 £000
	Investments			
5,077,632	Assets		5,413,590	5,413,590
(5,048)	Liabilities		(14,627)	(14,627)
5,072,584	**Net investment assets**	**14**	**5,398,963**	**5,398,963**
	Fixed assets			
365	Computer systems		332	332
365			**332**	**332**
	Non current assets			
-	Debtors	**25**	451	451
-	Deferred tax	**30b**	-	36
-			**451**	**487**
	Current assets			
6,352	The City of Edinburgh Council	**29**	4,287	4,287
36,350	Cash balances	**22, 29**	41,327	41,331
9,769	Debtors	**26**	12,670	12,703
52,471			**58,284**	**58,321**
	Non current liabilities			
-	Retirement benefit obligation	**31**	-	(180)
-			**-**	**(180)**
	Current liabilities			
(19,188)	Creditors	**27**	(24,016)	(24,052)
(19,188)			**(24,016)**	**(24,052)**
5,106,232	**Net assets of the Fund at 31 March 2016**		**5,434,014**	**5,433,871**

JOHN BURNS FCMA CGMA
Chief Finance Officer, Lothian Pension Fund
27 June 2016

Notes to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by International Accounting Standard (IAS)26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.

Notes to the Accounts

1 Statement of Accounting Policies

The statement of accounting policies for all Funds' can be found on page 112.

2 Prior year adjustment

During the year, the Fund has changed its accounting policy in respect to securities lending revenue that has required the restatement of the 2014/15 results.

Previously securities lending revenue was recognised net of fees, as management charges were deducted at source. The new treatment recognises the gross income from securities lending and impacts both the investment income of the Fund and investment management expenses.

	2014/15 Restated £000	Adjustment £000
Investment income	122,876	472
Investment management expenses	(27,413)	(472)

3 Lothian Pension Fund Group

Basis of consolidation, presentation of financial statements and notes

Commencing with the year ended 31 March 2016, Consolidated Financial Statements have been prepared for Lothian Pension Fund. The Financial Statements of Lothian Buses Pension Fund and Scottish Homes Pension Fund continue to be prepared on a single entity basis.

The Consolidated Financial Statements for Lothian Pension Fund are prepared by combining the Financial Statements of the Fund (the parent entity) and its controlled entity (LPFE Limited) as defined in accounting standard IAS27 - Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements. All inter-entity balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

Because LPFE limited activities are focussed of the provision of seconded staff, its consolidation has a limited impact on the figures included in the Fund Account and Net Assets Statement of Lothian Pension Fund. An additional column has been added in both the Fund Account and Net Assets Statement, with the figures prior to consolidation being identified as “Parent” and after consolidation as “Group”. In the notes to the accounts, where there is a difference between the parent and group figures they are identified as either “Parent “ or “Group”.

As LPFE Limited commenced trading on 1 May 2015, the prior year comparative figures consist only of the results of Lothian Pension Fund.

Notes to the Accounts

3 Lothian Pension Fund Group (cont)

Notes relevant to LPFE Limited and the consolidation

The following notes provides more information in respect of LPFE Limited:

Note	Description
29	Related parties Describes the loan facility agreement that provides the working capital of the Company and the staff services agreement.
30a	Consolidated Lothian Pension Fund group - LPFE Limited - Corporation Tax utilised by CEC group Describes the tax loss of the Company utilised by another member of the City of Edinburgh Corporation Tax Group. The tax loss of the Company is transferred to another company in the Tax Group in exchange for a cash amount.
30b	Consolidated Lothian Pension Fund group - LPFE Limited - deferred tax Describes the deferred tax non-current asset of the Company. See 2 f) ii) in the Statement of Accounting Policies and General notes for more information.
30c	Consolidated Lothian Pension Fund group - LPFE Limited - share capital Describes the share capital of the Company.
31	Retirement benefits obligation - group Provides the information on the retirement benefits obligation of the Company as required under IAS19 - Employee Benefits. See 2 q) ii) in the Statement of Accounting Policies and General notes for more information.

4 Events after the Reporting Date

There have been no events since 31 March 2016, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

5 Contributions from employers

The total contributions receivable for the administering authority, other scheduled bodies and admitted bodies were as follows:-

By category	2014/15 £000	2015/16 £000
Future service rate	111,692	133,035
Past service deficit	24,698	7,357
Strain costs	5,131	9,984
Cessation contributions	916	9,496
	142,437	159,872

By employer type		
Administering Authority	55,795	63,459
Other Scheduled Bodies	67,980	77,198
Community Admission Bodies	18,411	18,784
Transferee Admission Bodies	251	431
	142,437	159,872

Notes to the Accounts

5 Contributions from employers (cont)

Employer contributions, as calculated by the Fund Actuary, comprise two elements:

- An estimate of the cost of benefits accruing in the future, referred to as the “future service rate”, which is expressed as a percentage of payroll and;
- an adjustment for the solvency of the Fund based on the benefits already accrued. If there is a surplus, there may be a contribution reduction; if there is a deficit there may be a contribution increase. For all employers, contributions to cover any Past Service Deficit are expressed as a fixed monetary sum, rather than as a percentage of payroll and are payable on a monthly basis that is one twelfth of the annual total.

Where an employer makes certain decisions which result in benefits being paid early, this results in a "strain" on the Fund. The resulting pension strain costs are calculated and recharged in full to that employer.

Any employer that ceases to have at least one actively contributing member is required to pay a cessation contribution.

6 Contributions from members

By employer type	2014/15 £000	2015/16 £000
Administering Authority	16,544	16,389
Other Scheduled Bodies	19,751	20,226
Community Admission Bodies	5,988	6,074
Transferee Admission Bodies	60	111
	42,343	42,800

7 Transfers in from other pension schemes

	2014/15 £000	2015/16 £000
Group transfers	703	-
Individual transfers	5,749	2,780
	6,452	2,780

8 Pensions payable

By employer type	2014/15 £000	2015/16 £000
Administering Authority	60,636	65,447
Other Scheduled Bodies	56,688	56,115
Community Admission Bodies	11,234	11,902
Transferee Admission Bodies	143	160
	128,701	133,624

Notes to the Accounts

8 Pensions payable (cont)

Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allows employers to pay additional pensions on a voluntary basis.

As is typical within the Local Government Pension Schemes (LGPS), arrangements exist whereby additional teachers pensions and employee pensions are paid with the payment of funded pensions. In order that such are not regarded as "unauthorised payments" by HMRC these pension payments are met by the administering authority through a general fund bank account and recharged to the body or service which granted the benefits.

As "unfunded payments" are discretionary benefits, they are not relevant to the sums disclosed in the Fund accounts. As such Lothian Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

9 Lump sum retirement benefits payable

By employer type	2014/15 £000	2015/16 £000
Administering Authority	12,330	27,160
Other Scheduled Bodies	15,783	15,336
Community Admission Bodies	3,301	3,685
Transferee Admission Bodies	42	134
	31,456	46,315

10 Lump sum death benefits payable

By employer type	2014/15 £000	2015/16 £000
Administering Authority	1,191	2,745
Other Scheduled Bodies	2,020	1,964
Community Admission Bodies	382	627
Transferee Admission Bodies	-	-
	3,593	5,336

11 Transfers out to other pension schemes

	2014/15 £000	2015/16 £000
Group transfers	-	-
Individual transfers	5,580	6,075
	5,580	6,075

Notes to the Accounts

12a Administrative expenses

	LPF 2014/15 £000	LPF Parent 2015/16 £000	LPF Group Group 2015/16 £000
Employee Costs	985	992	994
The City of Edinburgh Council - other support costs	134	133	133
System costs	208	228	228
Actuarial fees	89	50	50
External audit fees	44	44	44
Legal fees	3	15	15
Printing and postage	94	77	77
Depreciation	67	57	57
Office costs	88	108	108
Sundry costs less sundry income	68	39	39
IAS19 retirement benefit adjustments - see note 31	-	-	27
Deferred tax on retirement benefit obligation - see note 30b	-	-	(6)
Corporation tax losses utilised by CEC group - see note 30a	-	-	-
	1,780	1,743	1,766

The Investment and Pensions Division of the Council is responsible for administering the three pension Funds. The Division receives an allocation of the overheads of the Council. In turn the Division allocates administration and investment costs to the three pension funds. Costs directly attributable to a specific fund are charged to the relevant Fund, costs that are common to all three funds are allocated on a defined basis. Other costs are allocated on the basis of the number of members in each pension fund.

12b Investment management expenses

	LPF 2014/15 £000	LPF Parent 2015/16 £000	LPF Group Group 2015/16 £000
External management fees -			
invoiced	7,113	7,123	7,123
deducted from capital (direct investment)	9,519	15,603	15,603
deducted from capital (indirect investment)	5,755	6,775	6,775
Securities lending fees	472	212	212
Transaction costs	1,971	2,201	2,201
Property operational costs	648	497	497
Employee costs	841	961	963
Custody fees	375	304	304
Engagement and voting fees	71	76	76
Performance measurement fees	50	46	46
Consultancy fees	70	78	78
System costs	141	185	185
Legal fees	107	103	103
The City of Edinburgh Council - other support costs	161	124	124
Depreciation	-	7	7
Office costs	57	71	71
Sundry costs less sundry income	62	34	34
IAS19 retirement benefit adjustments - see note 31	-	-	153
Deferred tax on retirement benefit obligation - see note 30b	-	-	(30)
Corporation tax losses utilised by CEC group - see note 30a	-	-	(5)
	27,413	34,400	34,520

12b Investment management expenses (cont)

Investment costs directly attributable to a specific fund are charged to the relevant Fund, costs that are common to all three funds are allocated based on the value of the Funds as at the year end.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions or in the proceeds of investment sales (see note 15 - Reconciliation of movements in investments and derivatives).

It should be noted that Lothian Pension Funds disclosure on investment management fees goes further than CIPFA's LGPS Management Cost revised guidance on cost transparency. Consistent with previous years, the Fund recognises fees deducted from investments not within its direct control (such as fund of fund fees) to give a full picture of its investment management costs. Further details can be found on page 16. This further disclosure highlights an extra £6.8m in costs (2015 £5.8m)

The external investment management fees (deducted from capital) above include £12m (£7.9m direct, £4.1m indirect) in respect of performance-related fees. (2014/15 £2.3m direct, £3.0m indirect).

12c Total management expenses

	LPF 2014/15 £000	LPF Parent 2015/16 £000	LPF Group Group 2015/16 £000
Administrative costs	1,550	1,570	1,582
Investment management expenses	25,951	32,814	32,900
Oversight and governance costs	1,692	1,759	1,804
	29,193	36,143	36,286

In accordance with CIPFA, the above analysis looks at the combined administration and investment management expenses in note 12a and b and splits out the costs to include a third heading covering oversight and governance expenditure.

13 Investment income

	2014/15 £000	2015/16 £000
Income from fixed interest securities	4,857	3,898
Dividends from equities	88,527	94,637
Unquoted private equity and infrastructure	7,924	13,581
Income from pooled investment vehicles	861	1,026
Gross rents from properties	18,754	20,914
Interest on cash deposits	1,130	1,237
Stock lending and sundries	2,933	1,142
	124,986	136,435
Irrecoverable withholding tax	(2,110)	(2,322)
	122,876	134,113

Notes to the Accounts

14 Net investment assets

Investment Assets	Region	31 March 2015 £000	31 March 2016 £000
Fixed interest securities			
Public sector fixed interest	Overseas	288,651	153,740
Public sector index linked gilts quoted	UK	125,679	380,290
		414,330	534,030
Equities			
Quoted	UK	609,702	561,064
Quoted	Overseas	2,658,273	2,887,886
		3,267,975	3,448,950
Pooled investment vehicles			
Private equity, infrastructure, private debt & timber	UK	127,587	165,547
Private equity, infrastructure, private debt & timber	Overseas	436,583	550,617
Property	UK	55,035	82,453
Other	UK	13,835	17,275
		633,040	815,892
Properties			
Direct property	UK	316,169	356,281
		316,169	356,281
Derivatives			
Derivatives - forward foreign exchange		29,879	-
		29,879	-
Cash deposits			
Deposits		400,497	227,409
		400,497	227,409
Other investment assets			
Due from broker		4,585	18,648
Dividends and other income due		11,157	12,380
		15,742	31,028
		5,077,632	5,413,590
Investment liabilities			
Derivatives			
Derivatives - forward foreign exchange		(79)	(13,183)
		(79)	(13,183)
Other financial liabilities			
Due to broker		(4,969)	(1,444)
		(4,969)	(1,444)
Total investment liabilities		(5,048)	(14,627)
Net investment assets		5,072,584	5,398,963

Notes to the Accounts

15 Reconciliation of movement in investments and derivatives

	Market value at 31 March 2015 £000	Purchases at cost & derivative payments £000	Sale & derivative receipts £000	Change in market value £000	Market value at 31 March 2016 £000
Fixed interest	414,330	308,910	(202,855)	13,645	534,030
Equities	3,267,975	1,256,575	(1,143,580)	67,979	3,448,949
Pooled investment vehicles	633,040	141,787	(81,080)	122,146	815,893
Property	316,169	25,153	(2,295)	17,253	356,280
Derivatives - futures	-	5	87	(92)	-
Derivatives - forward foreign exchange	29,800	4,316	(40,895)	(6,404)	(13,183)
	4,661,314	1,736,746	(1,470,618)	214,527	5,141,969
Other financial assets / liabilities					
Margin balances	-			-	-
Cash deposits	400,497			1,751	227,409
Broker balances	(384)			368	17,205
Dividend due etc	11,157			-	12,380
	411,270			2,119	256,994
Net financial assets	5,072,584			216,646	5,398,963

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables above.

	Market value at 31 March 2014 £000	Purchases at cost & derivative payments £000	Sale & derivative receipts £000	Change in market value £000	Market value at 31 March 2015 £000
Fixed interest	318,215	325,346	(313,907)	84,676	414,330
Equities	2,866,444	878,347	(860,763)	383,947	3,267,975
Pooled investment vehicles	598,687	76,731	(103,020)	60,642	633,040
Property	270,753	11,375	(2,143)	36,184	316,169
Derivatives - futures	213	(99)	(521)	407	-
Derivatives - forward foreign exchange	9,709	3,281	(26,068)	44,878	29,800
	4,064,021	1,294,981	(1,306,422)	610,734	4,661,314
Other financial assets / liabilities					
Margin balances	894			-	-
Cash deposits	257,749			3,190	400,497
Broker balances	6,579			17	(384)
Dividend due etc	14,067			-	11,157
	279,289			3,207	411,270
Net financial assets	4,343,310			613,941	5,072,584

Notes to the Accounts

16 Derivatives - forward foreign exchange

Summary of contracts held at 31 March 2016

Contract settlement within	Currency bought	Currency sold	Local currency bought 000	Local currency sold 000	Asset value £000	Liability value £000
Up to one month	GBP	AUD	97,473	45,533	-	(6,609)
Up to one month	GBP	CAD	157,811	79,124	-	(5,761)
One to six months	GBP	EUR	24,750	19,062	-	(576)
One to six months	USD	AUD	1,037	762	-	(19)
One to six months	USD	CHF	10,038	10,253	-	(218)

	Asset value £000	Liability value £000
Open forward currency contracts at 31 March 2016	-	(13,183)
Net forward currency contracts at 31 March 2016		(13,183)
Prior year comparative		
Open forward currency contracts at 31 March 2015	29,879	(79)
Net forward currency contracts at 31 March 2015		29,800

The above table summarises the contracts held by maturity date, all contracts are traded on an over-the-counter basis.

In order to maintain appropriate diversification of investments in the portfolio and take advantage of wider opportunities, the Lothian Pension Fund invests over half of the fund in overseas markets. A currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the extent to which the Fund is exposed to certain currency movements.

17 Investment managers and mandates

Manager	Mandate	Market value at 31 March 2015 £000	% of total 31 March 2015 %	Market value at 31 March 2016 £000	% of total 31 March 2016 %
In-house	UK all cap equities	101,918	2.0	106,884	2.0
In-house	UK mid cap equities	103,346	2.0	105,980	2.0
Total UK equities		205,264	4.0	212,864	4.0
In-house	European ex UK equities	102,665	2.0	105,479	2.0
In-house	US equities	118,528	2.3	117,119	2.2
Mondrian	Emerging markets	104,048	2.1	-	-
UBS	Emerging markets	121,954	2.4	-	-
Total regional overseas equities		447,195	8.8	222,598	4.2

Notes to the Accounts

17 Investment managers and mandates (cont)

Manager	Mandate	Market value at 31 March 2015 £000	% of total 31 March 2015 %	Market value at 31 March 2016 £000	% of total 31 March 2016 %
In-house	Global high dividend	675,666	13.3	759,254	14.1
In-house	Global low volatility	886,891	17.5	966,835	17.8
In-house	Global value	333,310	6.6	824,967	15.2
Cantillon	Global equities	265,575	5.2	-	-
Harris	Global equities	205,125	4.0	186,652	3.5
Nordea	Global equities	203,667	4.0	223,912	4.1
Total global equities		2,570,234	50.7	2,961,620	54.7
In-house	Currency hedge	29,251	0.6	(12,370)	(0.2)
Total currency overlay		29,251	0.6	(12,370)	(0.2)
Total listed equities		3,251,944	64.1	3,384,712	62.7
In-house	Private equity unquoted	186,536	3.7	168,904	3.1
In-house	Private equity quoted	57,866	1.1	57,145	1.1
Total private equity		244,402	4.8	226,049	4.2
Total equity		3,496,346	68.9	3,610,761	66.9
In-house	Index linked gilts	296,300	5.8	357,163	6.6
In-house	Gold	15,897	0.3	17,020	0.3
Total inflation linked bonds and gold		312,197	6.2	374,183	6.9
In-house	Property	47,241	0.9	50,003	0.9
Standard Life	Property	382,694	7.5	422,452	7.8
Total property		429,935	8.5	472,455	8.7
In-house	Infrastructure unquoted	251,099	5.0	384,028	7.1
In-house	Infrastructure quoted	29,932	0.6	30,060	0.6
In-house	Timber	101,826	2.0	125,313	2.3
Total other real assets		382,857	7.5	539,401	10.0
In-house	Secured loans	13,927	0.3	13,770	0.3
In-house	Treasury bills	129,614	2.6	134,399	2.5
In-house	Private debt	-	0.0	37,918	0.7
Total other bonds		143,541	2.8	186,087	3.5
In-house	Cash	294,537	5.8	137,886	2.6
In-house	Transitions	13,171	0.3	32,905	0.6
Total cash and sundries		307,708	6.1	170,791	3.2
Strategy One financial assets		5,072,584	100.0	5,353,678	99.2
In-house	Mature employer gilts	-	-	45,285	0.8
Strategy Two financial assets		-	-	45,285	0.8
Net financial assets		5,072,584	100.0	5,398,963	100.0

Notes to the Accounts

18 Investments representing more than 5% of the net assets of the Fund or 5% of any investment class

Fixed interest	Market value at 31 March 2015 £000	% of asset class 31 March 2015	Market value at 31 March 2016 £000	% of asset class 31 March 2016
US Treasury Bill 0.375% 31/05/16	-	-	133,396	25.0
UK Gov 0.125% Index Linked 2044	-	-	47,630	8.9
UK Gov 1.25% Index Linked 2055	23,934	5.8	41,499	7.8
UK Gov 0.125% Index Linked 22/03/68	-	-	36,048	6.8
UK Gov 0.125% Index Linked 22/03/58	-	-	34,099	6.4
UK Gov 1.125% Index Linked 22/11/37	23,300	5.6	29,311	5.5
US Treasury Bill 1.25% 31/10/19	68,626	16.6	-	-
US Treasury Bill 1% 30/11/19	57,054	13.8	-	-
UK Gov 0.5% Index Linked 22/03/50	21,458	5.2	-	-
Pooled funds				
Stafford Elm Inc	42,650	6.5	45,094	5.5
Macquarie Infrastructure A & B LP	-	-	43,748	5.4
Property				
London, 119-125 Wardour St	24,750	7.8	28,050	7.9
Martlesham Heath, Retail Park	24,375	7.7	24,650	6.9
London, 100 St John Street	20,600	6.5	22,500	6.3
Sheffield, Bochum Parkway	19,600	6.2	19,850	5.6
Exeter, David Lloyd Leisure	17,575	5.6	17,875	5.0

Over the last two years no single investment represented more than 5% of the net assets of the Fund.

19 Securities lending

During the year Lothian Pension Fund participated in a securities lending arrangement with the Northern Trust Company. As at 31 March 2016, £49.8m (2015 £92.1m) of securities were released to third parties. Collateral valued at 107.6% (2015 107.1%) of the market value of the securities on loan was held at that date.

20 Property holdings

	2014/15 £000	2015/16 £000
Opening balance	270,753	316,169
Additions	11,375	25,153
Disposals	(2,143)	(2,295)
Net change in market value	36,184	17,253
Closing balance	316,169	356,280

As at 31 March 2016, there were no restrictions on the realisability of the property or the remittance of income or sale proceeds. The Fund is not under any contractual obligations to purchase or construct any of these properties. However, at year end the Fund was due the final payment to the developer of Waterfront North Leisure Park, Walsall. This totalled £3.3m and was settled in April 2016. The Fund also has the responsibility of repairs and maintenance on any properties that are unlet.

The future minimum lease payments receivable by the Fund are as follows

	2014/15 £000	2015/16 £000
Within one year	19,140	22,018
Between one and five years	65,238	67,158
Later than five years	103,665	94,517
	188,043	183,693

21 Financial Instruments

21a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund's accounting records hence there is no difference between the carrying value and fair value.

Notes to the Accounts

21a Classification of financial instruments (cont)

Classification of financial instruments - parent

	31 March 2015			31 March 2016		
	Designated as fair value through fund account £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through fund account £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Investment assets						
Fixed interest	414,330	-	-	534,030	-	-
Equities	3,267,975	-	-	3,448,950	-	-
Pooled investments	633,040	-	-	815,892	-	-
Property Leases	9,497	-	-	7,905	-	-
Derivative contracts	29,879	-	-	-	-	-
Margin balances	-	-	-	-	-	-
Cash	-	400,497	-	-	227,409	-
Other balances	-	15,742	-	-	31,029	-
	4,354,721	416,239	-	4,806,777	258,438	-
Other assets						
City of Edinburgh Council	-	6,352	-	-	4,287	-
Cash	-	36,350	-	-	41,327	-
Debtors - current	-	9,769	-	-	12,670	-
Debtors - non-current	-	-	-	-	451	-
	-	52,471	-	-	58,735	-
Assets total	4,354,721	468,710	-	4,806,777	317,173	-
Financial liabilities						
Investment liabilities						
Derivative contracts	(78)	-	-	(13,183)	-	-
Other investment balances	(4,970)	-	-	(1,444)	-	-
	(5,048)	-	-	(14,627)	-	-
Other liabilities						
Creditors	-	-	(19,188)	-	-	(24,016)
Liabilities total	(5,048)	-	(19,188)	(14,627)	-	(24,016)
Total net assets	4,349,673	468,710	(19,188)	4,792,150	317,173	(24,016)

	31 March 2015	31 March 2016
Total net financial instruments	4,799,195	5,085,307
Amounts not classified as financial instruments	307,037	348,707
Total net assets - parent	5,106,232	5,434,014

Notes to the Accounts

21a Classification of financial instruments (cont)

Classification of financial instruments - adjustments to parent to arrive at group

	31 March 2015			31 March 2016		
	Designated as fair value through fund account £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through fund account £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Other assets						
Cash	-	-	-	-	4	-
Debtors - current	-	-	-	-	33	-
Debtors - non-current	-	-	-	-	36	-
	-	-	-	-	73	-
Assets total	-	-	-	-	73	-
Other liabilities						
Retire. benefit obligation	-	-	-	-	-	(180)
Creditors	-	-	-	-	-	(36)
Liabilities total	-	-	-	-	-	(216)
Total net assets	-	-	-	-	73	(216)

	31 March 2015	31 March 2016
Total adjustments to net financial instruments	-	(143)
Total net assets - group	5,106,232	5,433,871

21b Net gains and losses on financial instruments

	2014/15 £000	2015/16 £000
Designated as fair value through fund account	571,760	197,274
Loans and receivables	3,207	2,119
Financial liabilities at amortised cost	-	-
Total	574,967	199,393
Gains and losses on directly held freehold property	38,974	17,253
Change in market value of investments per fund account	613,941	216,646

21c Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and unit trusts.

Quoted investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

21c Valuation of financial instruments carried at fair value

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity, infrastructure, timber and European real estate are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of International Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

	31 March 2016			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets - parent				
Designated as fair value through fund account	3,491,275	534,030	781,472	4,806,777
Loans and receivables	317,173	-	-	317,173
Total financial assets	3,808,448	534,030	781,472	5,123,950
Financial liabilities - parent				
Designated as fair value through fund account	(14,627)	-	-	(14,627)
Financial liabilities at amortised cost	(24,016)	-	-	(24,016)
Total financial liabilities	(38,643)	-	-	(38,643)
Net financial assets - parent	3,769,805	534,030	781,472	5,085,307
Adjustments to parent to arrive at group				
Financial assets - loans and receivables	73	-	-	73
Financial liabilities at amortised cost	(216)	-	-	(216)
Net financial assets - parent	3,769,662	534,030	781,472	5,085,164

21c Valuation of financial instruments carried at fair value (cont)

	31 March 2015 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Designated as fair value through fund account	3,344,192	414,330	596,199	4,354,721
Loans and receivables	468,710	-	-	468,710
Total financial assets	3,812,902	414,330	596,199	4,823,431
Financial liabilities				
Designated as fair value through fund account	(5,048)	-	-	(5,048)
Financial liabilities at amortised cost	(19,188)	-	-	(19,188)
Total financial liabilities	(24,236)	-	-	(24,236)
Net financial assets	3,788,666	414,330	596,199	4,799,195

22 Nature and extent of risk arising from financial instruments

Risk and risk management

The Fund's primary aim is to ensure that all members and their dependants receive their benefits when they become payable. The investment strategy aims to maximise the returns from investments within reasonable risk parameters and hence minimise the long-term cost to employers. The Fund achieves this by investing in a diverse range of assets to reduce risk to an acceptable level. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they are due to be paid.

Responsibility for the Fund's overall investment strategy rests with the Pensions Committee. The Investment Strategy Panel and the internal investment team monitor investment risks on a regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund's investments.

Consideration of the Fund's investment risk is part of the overall risk management of the pensions operations. Risks are reviewed regularly to reflect changes in activity and market conditions.

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The Fund considers overall fluctuations in prices arising from a variety of sources: market risk, foreign exchange risk, interest rate risk, credit risk, etc. The different risks may, to some extent, offset each other.

The overall market risk of the Fund depends on the actual mix of assets and encompasses all the different elements of risk.

22 Nature and extent of risk arising from financial instruments (cont)

The Fund manages these risks in a number of ways:

- assessing and establishing acceptable levels of market risk when setting overall investment strategy. Importantly, risk is considered relative to the liabilities of the Fund
- diversification of investments in terms of type of asset, investment styles, investment managers, geographical and industry sectors as well as individual securities
- taking stewardship responsibilities seriously and pursuing constructive engagement with the companies in which we invest
- monitoring market risk and market conditions to ensure risk remains within tolerable levels
- using equity futures contracts from time to time to manage market risk. Exchange traded options are not used by the Fund.

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as "volatility" and it differs by asset class. The table sets out the long-term volatility assumptions used in the Fund's asset-liability modelling undertaken by the Fund's investment adviser KPMG:

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	20.5%
Equities - Emerging Markets	30.0%
Private Equity	30.0%
Timber and Gold	18.0%
Secured Loans	14.0%
Fixed Interest Gilts	6.7%
Index-Linked Gilts	10.8%
Infrastructure	18.0%
Property	13.0%
Cash	1.1%

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset's change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

Asset classes do not always move in line with each other. The extent to which assets move together is known as their "correlation". A lower correlation means that there is less risk of assets losing value at the same time.

The overall Fund benefits from "diversification" because it invests in different asset classes, which don't all move in line with each other. Consequently, the aggregate risk at the Fund level is less than the total risk from all the individual assets in which the Fund invests. The following table shows the risks at the asset class level and the overall Fund level, with and without allowance for correlation.

22 Nature and extent of risk arising from financial instruments (cont)

	Value at 31 March 2016 £m	% of fund %	Potential Change +/- %	Value on increase £m	Value on decrease £m
Equities - Developed Markets	3,161	58.6	20.5	3,809.0	2,513.0
Equities - Emerging Markets	238	4.4	30.0	309.4	166.6
Private Equity	226	4.2	30.0	293.8	158.2
Timber and Gold	142	2.6	18.0	167.6	116.4
Secured Loan	52	1.0	14.0	59.3	44.7
Fixed Interest Gilts	134	2.5	6.7	143.0	125.0
Index-Linked Gilts	402	7.4	10.8	445.4	358.6
Infrastructure	414	7.7	18.0	488.5	339.5
Property	472	8.7	13.0	533.4	410.6
Cash and forward foreign exchange	158	2.9	1.1	159.7	156.3
Total [1]	5,399	100.0	18.7	6,409.1	4,388.9
Total [2]			15.7	6,246.6	4,551.4
Total [3]			15.7	6,246.6	n/a

[1] No allowance for correlations between assets

[2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall Fund assets [2] is lower than the total of the risks to the individual assets.

However, because the purpose of a pension scheme is to make payments to scheme beneficiaries, the true risk of a pension scheme is not measured in absolute terms, but relative to its liabilities [3].

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund’s entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits, derivatives and securities lending are the major areas of credit exposure where credit risk is not reflected in market prices.

22 Nature and extent of risk arising from financial instruments (cont)

Cash deposits

At 31 March 2016, cash deposits represented £268.7m, 4.94% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2016	Balances at 31 March 2015 £000	Balances at 31 March 2016 £000
Held for investment purposes			
Northern Trust Global Investment Limited - liquidity funds	Aaa-mf	100,507	78,223
Northern Trust Company - cash deposits	Aa2	76,374	66,450
The City of Edinburgh Council - treasury management	See below	223,616	82,736
Total investment cash		400,497	227,409
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	36,350	41,327
Total cash - parent		436,847	268,736
Cash held by LPFE Limited			
Royal Bank of Scotland	A3	-	4
Total cash - group		436,847	268,736

The majority of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration.

	Moody's Credit Rating at 31 March 2016	Balances at 31 March 2015 £000	Balances at 31 March 2016 £000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	38,167	117
Goldman Sachs	Aaa-mf	38,123	16,539
Bank call accounts			
Bank of Scotland	A1	24,567	8,123
Royal Bank of Scotland	A3	3,448	1,316
Santander UK	A1	23,840	10
Barclays Bank	A2	24,894	8,395
Svenska Handelsbanken	Aa2	38,765	8,562
HSBC Bank	Aa2	37,927	12
Commonwealth Bank of Australia	Aa2	10,079	-
Floating rate note			
Rabobank	Aa2	6,720	-
Building society fixed term deposits			
Nationwide Building Society	A1	6,719	-
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa1	-	24,726
UK Government Treasury Bills	Aa1	6,717	56,263
		259,966	124,063

[1] Very few Local Authorities have their own credit rating but they are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 was 'Aa1').

22 Nature and extent of risk arising from financial instruments (cont)

The Council has in place institutional restrictions on investments and counterparty criteria. These include -

(a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation.

(b) Money market funds (MMFs) no more than £30 million or 15% with any one Fund.

(c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security, provided from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Securities lending

The Fund participates in a securities lending programme as described above. The Fund is potentially exposed to credit risk in the event of the borrower of securities defaults. This risk is mitigated by the contractual commitment that borrowers provide collateral in excess of 100% of the value of the securities borrowed. In addition, Northern Trust has signed an agreement requiring it to make good any losses arising from the lending programme.

Derivatives

The Fund transacts foreign currency derivatives over-the-counter and hence is exposed to credit risk in the event of a counterparty defaulting on the net payment or receipt that remains outstanding. This risk is minimised by the use of counterparties that are recognised financial intermediaries with acceptable credit ratings and by netting agreements. At 31 March 2016, the Fund owed £13.2m on over-the-counter foreign currency derivatives.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund is not bound by any obligation to replenish its investments and hence is not exposed to refinancing risk.

Liquidity risk

Liquidity risk reflects the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore ensures that there is adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund’s cash flows.

The majority (estimated to be approximately 79%) of the Fund’s investments could be converted to cash within three months in a normal trading environment.

23 Actuarial statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.

24 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £6,266m (2015 £6,663m). This figure is used for statutory accounting purposes by Lothian Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's FRS17/IAS19 reports at each year end.

Notes to the Accounts

24 Actuarial present value of promised retirement benefits (cont)

The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

	31 March 2015 % p.a.	31 March 2016 % p.a.
Inflation / pensions increase rate	2.4	2.2
Salary increase rate*	4.3	4.2
Discount rate	3.2	3.5

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2012 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies, in years, at age 65 are summarised below:

	31 March 2015		31 March 2016	
	Males	Females	Males	Females
Current pensioners	22.1 years	23.7 years	22.1 years	23.7 years
Future pensioners (assumed to be currently 45)	24.2 years	26.3 years	24.2 years	26.3 years

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

25 Non current debtors

	LPF 31 March 2015 £000	LPF Parent 31 March 2016 £000	LPF Group 31 March 2016 £000
Contributions due - employers' cessation	-	451	451
	-	451	451

Analysis of non current debtor

	LPF 31 March 2015 £000	LPF Parent 31 March 2016 £000	LPF Group 31 March 2016 £000
Administering Authority	-	-	-
Other Scheduled Bodies	-	-	-
Community Admission Bodies	-	451	451
Transferee Admission Bodies	-	-	-
Other Local Authorities	-	-	-
Central Government Bodies	-	-	-
Other entities and individuals	-	-	-
	-	451	451

Notes to the Accounts

26 Debtors

	LPF 31 March 2015 £000	LPF Parent 31 March 2016 £000	LPF Group 31 March 2016 £000
Contributions due - employers	7,373	10,219	10,219
Contributions due - members	1,995	2,067	2,067
Benefits paid in advance or recoverable	-	-	-
Sundry debtors	160	109	137
Corporation tax losses utilised by CEC group	-	-	5
Prepayments	241	275	275
	9,769	12,670	12,703

Analysis of debtors

	LPF 31 March 2015 £000	LPF Parent 31 March 2016 £000	LPF Group 31 March 2016 £000
Administering Authority	305	6,987	6,992
Other Scheduled Bodies	6,671	3,526	3,526
Community Admission Bodies	2,624	1,812	1,812
Transferee Admission Bodies	27	26	26
Other Local Authorities	7	-	29
Central Government Bodies	-	-	-
Other entities and individuals	135	319	318
	9,769	12,670	12,703

27 Creditors

	LPF 31 March 2015 £000	LPF Parent 31 March 2016 £000	LPF Group 31 March 2016 £000
Benefits payable	3,793	8,375	8,375
VAT, PAYE and State Scheme premiums	1,210	1,399	1,495
Contributions in advance	11,899	11,845	11,845
Miscellaneous creditors and accrued expenses	2,137	2,083	2,121
Office - operating lease	149	216	216
LPFE Loan facility - see note 29	-	6	-
Intra group creditor - see note 29	-	92	-
	19,188	24,016	24,052

27 Creditors (cont)

Analysis of Creditors

	LPF 31 March 2015 £000	LPF Parent 31 March 2016 £000	LPF Group 31 March 2016 £000
Administering Authority	63	5,970	5,970
Other Scheduled Bodies	11,890	13,526	13,526
Community Admission Bodies	-	721	721
Transferee Admission Bodies	-	98	-
Central Government Bodies	1,247	1,399	1,495
Other entities and individuals	5,988	2,302	2,340
	19,188	24,016	24,052

28 Additional Voluntary Contributions

Active members of the Lothian Pension Fund have the option to pay additional voluntary contributions (AVCs). These AVCs are invested separately from the main funds, securing additional benefits on a money purchase basis for those members that have elected to contribute. The investment of the AVCs is managed by Standard Life and Prudential.

In accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, AVCs are not included in the pension fund financial statements.

Total contributions during year for Lothian Pension fund	2014/15 £000	2015/16 £000
Standard Life	404	395
Prudential	1,369	1,593
	1,773	1,988

Total value at year end for Lothian Pension Fund	31 March 2015 £000	31 March 2016 £000
Standard Life	6,342	5,665
Prudential	3,158	3,863
	9,500	9,528

29 Related parties

The City of Edinburgh Council

The Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently there is a strong relationship between the Council and the Pension Funds.

The Investment and Pensions Division of the Council is responsible for administering the three Pension Funds. The Division receives an allocation of the overheads of the Council, based on the amount of central services consumed. In turn, the Division allocates its costs to the three Pension Funds. Costs directly attributable to a specific Fund are charged to the relevant Fund; costs that are common to all three Funds are allocated on a defined basis.

29 Related parties (cont)

The Council is also the single largest employer of members of the Fund and contributed £63.5m to the Fund during the year (2014/15 £55.8m).

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund is paid a cash sum leaving a working balance in the account to cover the month's pension payroll costs and other expected costs.

	31 March 2015 £000	31 March 2016 £000
Year end balance of holding account	6,352	4,287
	6,352	4,287

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2016, the fund had an average investment balance of £219.0m (2014/15 £204.1m). Interest earned was £1,032.5k (2014/15 £950.3k).

Year end balance on treasury management account	31 March 2015 £000	31 March 2016 £000
Held for investment purposes	223,616	82,736
Held for other purposes	36,350	41,327
	259,966	124,063

Office accommodation - 144 Morrison Street, Edinburgh

Investment and Pensions Division of the Council entered into an internal agreement with the Council for the provision of office accommodation at 144 Morrison Street in Edinburgh. The terms of the agreement are equivalent to those that would have been obtained had the accommodation been let on a commercial basis. In the accounts of the Fund the arrangement has been treated as a operational lease. The Investment and Pensions Division is committed to making the following future payments. City of Edinburgh Council sold the property on 31 March 2016, the lease with the new landlord is on the same terms as the internal agreement.

	31 March 2015 £000	31 March 2016 £000
Within one year	-	42
Between one and five years	272	345
After five years	1,379	992
	1,651	1,379
Recognised as an expense during the year	91	92

The above expense has been allocated across the three Funds, Lothian Pension Fund’s share is £84.9k.

Governance

As at 31 March 2016, all members of the Pensions Committee, with the exception of Councillor Bill Cook and Richard Lamont, and all members of the Pensions Board, with the exception of Graham Turnbull, were active members of the Lothian Pension Fund or Lothian Buses Pension Fund.

Each member of the Pensions Committee and Pensions Board is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest.

Notes to the Accounts

29 Related parties (cont)

During the period from 1 April 2015 to the date of issuing of these accounts, a number of employees of the City of Edinburgh Council and its wholly owned subsidiary, LPFE Limited, held key positions in the financial management of the Lothian Pension Fund. With effect from 1 May 2015, all the employees listed below, with the exception of the Executive Director of Resources, were employed by LPFE Limited. These employees and their financial relationship with the Fund (expressed as cash-equivalent transfer values or CETV) are set out below:

Name	Position held	Accrued CETV as at 31 March 2015 £000	Accrued CETV as at 31 March 2016 £000
Hugh Dunn*	Acting Executive Director of Resources	734	755
Clare Scott	Chief Executive, Lothian Pension Fund	147	175
Bruce Miller	Chief Investment Officer, Lothian Pension Fund	139	185
Struan Fairbairn	Chief Legal & Risk Officer, Lothian Pension Fund	19	30
John Burns	Chief Finance Officer, Lothian Pension Fund	426	474
Esmond Hamilton	Financial Controller	138	161

* Also disclosed in the financial statements of the City of Edinburgh Council.

There is no need to produce a remuneration report for 2015/16, as the Pension Fund did not directly employ any staff.

Staff are either employed by City of Edinburgh Council or LPFE Ltd, and their costs reimbursed by the Pension Fund. The Councillors, who are members of the Pensions Committee, are also remunerated by City of Edinburgh Council.

LPFE Limited - loan facility

LPFE Limited is wholly owned by the City of Edinburgh Council and has entered into a shareholder agreement with the Council to address governance matters. The company has a loan facility agreement with the City of Edinburgh Council for the purpose of the provision of short term working capital. The current agreement covers the period to 1 May 2020 and provides that interest is payable at 2% above the Royal Bank of Scotland base lending rate on the daily balance. In order to minimise the amount of interest payable, the company returns any cash not immediately required and this can result in short periods when the company has returned more cash than has been drawn. On such days the loan interest is negative, reducing the amount of interest payable.

Interest payable during the period was £968, of which £194 was due at the year end. At 31 March 2016, the balance on the loan facility was £6,157 due to LPFE Limited.

LPFE Limited - staffing services

Staffing services are provided to Lothian Pension Fund for the purposes of administering the Funds under a intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and anticipates the provision of staffing services to LPFI Limited (also wholly owned by the City of Edinburgh Council) on that entity beginning to trade. During the year to 31 March 2016, the Fund was invoiced £820k for the services of LPFE Limited staff, £92k of this remained payable at year end.

Notes to the Accounts

30a Consolidated Lothian Pension Fund group - LPFE Limited - Corporation Tax utilised by CEC group

	LPF Group 2015/16 £000
Tax credit for the period	5
	5

The credit for the period can be reconciled to the loss per the Financial Statements of LPFE Limited of £66k as follows:

	LPF Group 2015/16 £000
Loss for the year at the effective rate of corporation tax of 20%	(13)
Effect of:	
Expenses not deductible for tax purposes	8
Group relief utilised	5
Due from group entities for losses utilised	5
	5

30b Consolidated Lothian Pension Fund group - LPFE Limited - deferred tax

Movement in deferred tax asset (Non-current asset)

	LPF Group 2015/16 £000
At 1 April 2015	-
Credit for year to Fund Account	36
At 31 March 2016	36

Elements of closing deferred tax asset

	LPF Group 31 March 2016 £000
Pension liability	36
	36

30c Consolidated Lothian Pension Fund group - LPFE Limited - share capital

	31 March 2016 £
Allotted, called up and fully paid Ordinary shares of £1 each	1
	1

One ordinary share of £1 was issued to Lothian Pension Fund at par value on incorporation. Due to the low value this does not show on the Net Assets Statement.

31 Retirement benefits obligation - group

The retirement benefit obligation described in this note relates only to the is employees of LPFE Limited. This is because obligation in respect of the staff employed by the City of Edinburgh Council is disclosed in the City of Edinburgh Council's Financial Statements.

On 1 May 2015 LPFE Limited commenced trading and its staff transferred their employment from the City of Edinburgh Council to the Company on that date. On 1 May the Company also entered into appropriate admission arrangements with the City of Edinburgh Council with respect to the transferring individuals continuing to be members of the Lothian Pension Fund and in relation to its obligations as an employer in that Fund.

The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Fund assets

The LPFE Limited’s share of the fair value of the Fund’s assets which are not intended to be realised in the short term and may be subject to significant change before they are realised, were comprised as follows:

Asset		Fair value at 31 March 2016 £000	% of total 31 March 2016 %
Equity securities:	Consumer	319	15.0
	Manufacturing	247	12.0
	Energy and utilities	167	8.0
	Financial institutions	178	8.0
	Health and care	139	7.0
	Information technology	126	6.0
	Other	120	6.0
Debt securities:	UK Government	135	6.0
	Other	53	3.0
Private equity:	All	92	4.0
Real property	UK property	179	9.0
Investment funds and unit trusts:	Commodities	6	-
	Bonds	17	1.0
	Infrastructure	139	7.0
	Other	50	2.0
Cash and cash equivalents:	All	130	6.0
		2,097	100.0

Amounts recognised in the Net Assets Statement	LPF Group 31 March 2016 £000
Fair value of Fund assets	2,097
Present value of Fund liabilities	(2,277)
	(180)

Notes to the Accounts

31 Retirement benefits obligation - group (cont)

Movement in the defined benefit obligation during the period

	LPF Group 2015/16 £000
At 1 May 2015	2,107
Current service cost	174
Interest cost on obligation	69
Fund participants contributions	54
Benefits paid	-
Actuarial losses arising from changes in financial assumptions	(378)
Actuarial losses arising from changes in demographic assumptions	-
Other actuarial losses	251
At 31 March 2016	2,277

Movement in the fair value of Fund assets during the period

	LPF Group 2015/16 £000
At 1 May 2015	1,826
Benefits paid	-
Interest income on Fund assets	60
Contributions by employer	121
Contributions by member	54
Contributions in respect of unfunded benefits	-
Unfunded benefits paid	-
Return on assets excluding amounts included in net interest	36
At 31 March 2016	2,097

Amounts recognised in the Fund Account

	LPF Group 2015/16 £000
Interest received on Fund assets	(60)
Interest cost on Fund liabilities	69
Current service costs	174
Transfer of opening retirement benefit obligation on 1 May 2015	(281)
Actuarial gains due to re-measurement of the defined benefit obligation	127
Return on Fund assets (excluding interest above)	36
	65

Principal actuarial assumptions used in this valuation

	1 May 2015* % p.a.	31 March 2016 % p.a.
Inflation / pensions increase rate	2.7	2.2
Salary increase rate	4.6	4.2
Discount rate	3.4	3.6

* Date of transfer of opening retirement benefit obligation.

31 Retirement benefits obligation - group (cont)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. Best estimate has been interpreted to mean that the proposed assumptions are 'neutral' – there is an equal chance of actual experience being better or worse than the assumptions proposed.

The financial assumptions used for reporting in the financial statements are the responsibility of the employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of a similar magnitude. There is also uncertainty around life expectancy of the UK population – the value of current and future pension benefits will depend on how long they are assumed to be in payment.

Life expectancy is based on Fund specific statistical analysis with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.25% p.a.

	31 March 2016	
	Males	Females
Current pensioners	22.1 years	23.7 years
Future pensioners	24.2 years	26.3 years

Expected employer contributions to the defined benefit plan for the year ended 31 March 2017 are £132,000, based on a pensionable payroll cost of £646,000.

32 Contractual commitments

The Fund has commitments relating to outstanding call payments due on unquoted funds held in the private equity, timber, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, taking place over a number of years from the date of each original commitment. The outstanding commitments at the year end are as follows:

	31 March 2015 £000	31 March 2016 £000
Outstanding investment commitments	146,403	160,891
	146,403	160,891

As disclosed in note 29 on related party transactions the Investment and Pensions Division has a commitment to make future payments equivalent to rent in respect office accommodation at 144 Morrison Street. Details of the future payments are provided in that note.

33 Contingent assets and liabilities

At 31 March 2016 the Fund had entered into negotiations for two infrastructure co-investments in which it is exposed to the potential risk of investment abort costs At 31 March 2016, Lothian Pension Fund's exposure is approximately £204.6k.

There were no material contingent assets at year end.

34 Impairment losses

During the year the Fund recognised an increase in impairment losses in respect of specific benefit over payments for which reimbursement has been requested of £14.5k. This increased the impairment to £46.4k at the year end.

Lothian Pension Fund

Actuarial Statement for 2015/16

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2015. In summary, the key funding principles are as follows:

- To ensure solvency of the Fund;
- to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund;
- to minimise the degree of short-term change in employer contribution rates;
- maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer;
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment;
- to help employers manage their pension liabilities; and
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 32 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £4,379 million, were sufficient to meet 91% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £417 million.

Individual employers' contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2015.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

Actuarial Statement for 2015/16

The key financial assumptions adopted for the 2014 valuation were as follows:

Financial assumptions	31 March 2014 % p.a. Nominal	31 March 2014 % p.a. Real
Discount rate	5.0%	2.3%
Pay increases*	5.0%	2.3%
Price inflation/Pension increases	2.7%	-

*2% p.a. for 2014/15 and 2015/16, reverting to 5.0% thereafter.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2012 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	23.7 years
Future Pensioners *	24.2 years	26.3 years

*Future pensioners are assumed to be at the 2014 valuation aged 45.

Copies of the 2014 valuation report and Funding Strategy Statement are available on request from The City of Edinburgh Council, the Administering Authority to the Fund.

Experience over the period since April 2014

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened and deficits increased over the period.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

21 April 2016

List of active employers at 31 March 2016

Employer	Type	Employer	Type
Amey Services	*CAB*	Keymoves	*CAB*
Audit Scotland	*CAB*	Link In	*CAB*
BAM Construction Ltd	*TAB*	Lothian Valuation Joint Board	*SB*
Barony Housing Association Ltd	*CAB*	LPFE Ltd	*TAB*
Baxter Storey	*TAB*	Melville Housing Association	*CAB*
Broomhouse Centre Representative Council	*CAB*	Midlothian Council	*SB*
Canongate Youth Project	*CAB*	Mitie PFI	*TAB*
Capital City Partnership	*CAB*	Morrison Facilities Services Ltd	*TAB*
Centre for Moving Image (The)	*CAB*	Museums Galleries Scotland	*CAB*
Children's Hearing Scotland	*CAB*	Newbattle Abbey College	*CAB*
Children's Hospice Association Scotland	*CAB*	North Edinburgh Dementia Care	*CAB*
Citadel Youth Centre	*CAB*	NSL Ltd	*TAB*
City of Edinburgh Council (The)	*SB*	Open Door Accommodation Project	*CAB*
Compass Chartwell	*TAB*	Penumbra	*CAB*
Convention of Scottish Local Authorities	*CAB*	Pilton Equalities Project	*CAB*
Dawn Group Ltd	*TAB*	Pilton Youth and Children's Project	*CAB*
Dean Orphanage and Cauvin's Trust	*CAB*	Police Scotland	*SB*
Donaldson's Trust	*CAB*	Queen Margaret University	*CAB*
East Lothian Council	*SB*	Queensferry Churches Care in the Community Project	*CAB*
EDI Group Ltd	*CAB*	Royal Edinburgh Military Tattoo	*CAB*
Edinburgh Business School	*CAB*	Royal Society of Edinburgh	*CAB*
Edinburgh College	*SB*	Scotland's Rural College (SRUC)	*SB*
Edinburgh Cyrenians Trust	*CAB*	Scotland's Learning Partnership	*CAB*
Edinburgh Development Group	*CAB*	Scottish Adoption Agency	*CAB*
Edinburgh International Festival Society	*CAB*	Scottish Fire and Rescue Service	*SB*
Edinburgh Leisure	*CAB*	Scottish Futures Trust	*CAB*
Edinburgh Napier University	*CAB*	Scottish Legal Complaints Commission	*CAB*
Edinburgh Rape Crisis Centre	*CAB*	Scottish Mining Museum	*CAB*
Edinburgh World Heritage Trust	*CAB*	Scottish Police Authority	*SB*
ELCAP	*CAB*	Scottish Schools Education Research Centre (SSERC)	*CAB*
Enjoy East Lothian	*CAB*	Scottish Water	*SB*
Family & Community Development West Lothian	*CAB*	SESTRAN	*SB*
Family Advice and Information Resource	*CAB*	Skanska UK	*TAB*
Festival City Theatres Trust	*CAB*	St Andrew's Children's Society Limited	*CAB*
First Step	*CAB*	St Columba's Hospice	*CAB*
Forth and Oban Ltd	*TAB*	Stepping Out Project	*CAB*
Four Square (Scotland)	*CAB*	Streetwork UK Ltd	*CAB*
Freespace Housing Association	*CAB*	University of Edinburgh (Edin College of Art)	*CAB*
Granton Information Centre	*CAB*	Victim Support Scotland	*CAB*
Handicabs (Lothian) Ltd	*CAB*	Visit Scotland	*SB*
Hanover (Scotland) Housing Association	*CAB*	Waverley Care	*CAB*
Health in Mind	*CAB*	Weslo Housing Management	*CAB*
Heriot-Watt University	*SB*	West Granton Community Trust	*CAB*
Homeless Action Scotland	*CAB*	West Lothian College	*SB*
Homes for Life Housing Partnership	*CAB*	West Lothian Council	*SB*
HWU Students Association	*CAB*	West Lothian Leisure	*CAB*
Improvement Service (The)	*CAB*	Wester Hailes Land and Property Trust	*CAB*
Into Work	*CAB*	Young Scot Enterprise	*CAB*
ISS UK Ltd	*TAB*	Youthlink Scotland	*CAB*

SB - Scheduled bodies CAB - Community Admited Bodies TAB - Transferee Admitted Bodies

Lothian Buses Pension Fund

Membership records

Status	Membership at 31 March 2013	Membership at 31 March 2014	Membership at 31 March 2015	Membership at 31 March 2016
Active	1,335	1,268	1,196	1,130
Deferred	1,163	1,146	1,131	1,104
Pensioners	1,163	1,191	1,222	1,253
Dependants	310	320	332	350
Total	**3,971**	**3,925**	**3,881**	**3,837**

Investment Strategy

Over the course of 2015/16, the implementation of the Investment Strategy 2012-17 continued to proceed at a measured pace as investment opportunities became available and as research on opportunities was completed. Progress towards the long term strategy allocation involved the interim strategy allocation and the actual asset allocation changing gradually over time. The most significant changes to the actual allocation of the Fund over 2015/16 were the reduction in equities from 63% to 60% and the increase in other real assets (primarily infrastructure) from 6% to over 9%.

Following completion of the 2014 actuarial valuation, the Investment Strategy Panel and the Pensions Committee undertook an in depth review of Lothian Buses Pension Fund's investment strategy. The review was supported by asset liability modelling carried out by the Fund's investment adviser. The Panel reviewed developments in pension fund membership, expected cash flow, funding level, investment risk and returns and the employer covenant, the ability and willingness of the employer to pay contributions.

The review highlighted the potential future funding level volatility on the employing company's balance sheet and contributions. It afforded the opportunity to clarify the funding approach for this increasingly mature pension fund (it is closed to new entrants) in the event of the funding level worsening and also at the point when the last active member leaves the Fund. After discussions with the majority shareholder and company, Lothian Buses has agreed to continue paying deficit contributions (if required) after the last active member has left the Fund. With this clarity, the Fund is able to continue to adopt a long-term investment approach.

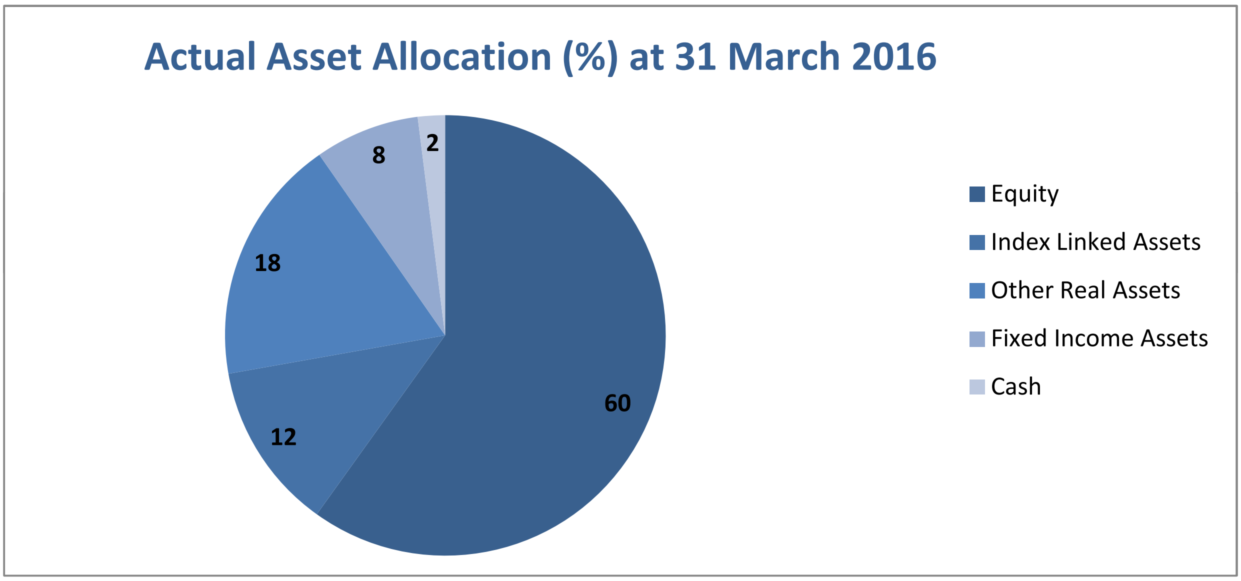
The Pensions Committee approved a revised Investment Strategy 2016-21 for Lothian Buses Pension Fund in March 2016. The main changes from the previous Investment Strategy are a reduction in equities from 55% to 40%, an increase in index-linked assets from 15% to 20% and the creation of a distinct fixed income asset class with an effective allocation increase from 12% to 22%, to be implemented by the end of 2021.

A significant allocation to equities is retained as they have higher long term return expectations than bonds as equity risk, as measured by short term volatility, is expected to diminish over the long term. Implementation of the strategy will include further de-risking within equities, lengthening the duration of the Fund's bond allocation to provide greater downside protection in the event of further reductions in interest rates (a key driver of liability values) and also investment in suitable fixed income assets.

The long term strategy for 2016-21 is set out in the table below along with the current interim strategy allocations.

	Strategic Allocation 31/03/2016 %	Long term Strategy 2016 - 2021 %
Equities	58.5	40.0
Index Linked Assets	14.0	20.0
Other Real Assets	17.5	18.0
Fixed Income Assets	10.0	22.0
Cash	-	-
Total	**100.0**	**100.0**

The investment strategy is now set at the broad asset class level of equities, index-linked assets, other real assets and fixed income assets, the latter two of which had previously been categorised within Alternatives. These broad groupings are the key determinants of investment risk and return. Equities includes listed and unlisted equities; index-linked assets includes index-linked gilts/bonds and gold; other real assets includes property, infrastructure and timber; and fixed income assets includes listed and unlisted debt investments.



Investment performance

The objectives of the Fund are:

- over long-term economic cycles (typically 5 years or more) the achievement of the same return as that generated by the strategic allocation
- over shorter periods, the Fund should perform better than the strategic allocation if markets fall significantly.

The Fund has achieved returns in excess of the strategic allocation over the last year and over the longer timeframes shown in the table below. The benchmark return shown in the table is the strategic allocation and comprises equity, index-linked gilt and cash indices as well as an inflation-linked index for Alternatives investments.

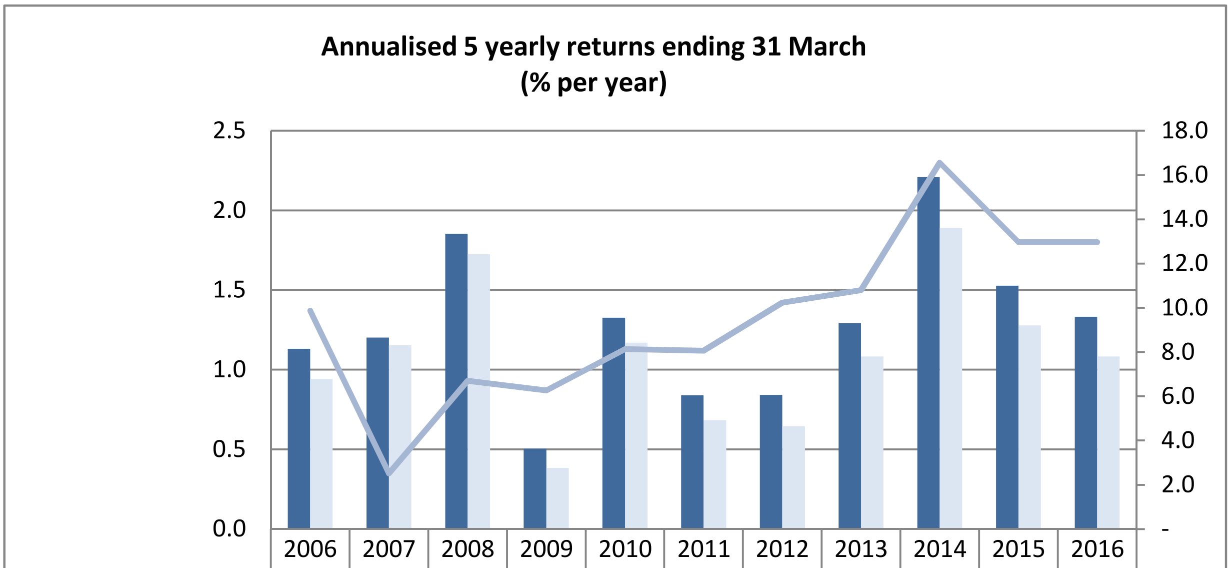
Annualised returns to 31 March 2016 (% per year)	1 year	5 year	10 years
Lothian Buses Pension Fund	3.1	9.6	7.8
Benchmark	1.2	7.8	6.3
Actuarial Valuation Assumptions *	5.0	5.7	5.9
Retail Price Index (RPI)	1.6	2.3	3.0
Consumer Price Index (CPI)	0.5	1.7	2.4
National Average Earnings	1.9	1.6	2.2

*estimate

The strong performance relative to the benchmark over 2015/16 was largely attributable to the global equity portfolios, one internally managed and one externally managed by Baillie Gifford, which together rose in value by 1.4% while the benchmark fell. The Fund's Alternative investments were also a significant contributor, driven primarily by a double digit return from the infrastructure portfolio, which benefited from the purchase of infrastructure assets at attractive valuations.

Returns relative to the benchmark over a one year period need to be placed in the context that there are no ideal benchmarks for many of the assets held in the Fund, especially the Alternatives. The Fund’s benchmark for Alternatives is inflation plus 3.5% per annum, which makes sense over the long term as the Fund’s liabilities are linked to inflation. However, over shorter periods, there is less information content in the relative returns of the Fund because the development of asset prices is much more volatile than that of UK retail or consumer prices. The Investment Strategy Panel assesses the underlying risks of the portfolios that make up the asset allocation to ensure that these are consistent with the long term objectives of the Fund.

The chart below shows the rolling 5 year performance of the Fund against its strategic benchmark over the last 10 years. The upward sloping line shows that relative returns have been on an improving trend since 2007. It also shows that the Fund has consistently outperformed its benchmark over rolling 5 year periods.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fund	8.2	8.7	13.3	3.6	9.6	6.0	6.1	9.3	15.9	11.0	9.6
Benchmark	6.8	8.3	12.4	2.8	8.4	4.9	4.6	7.8	13.6	9.2	7.8
Relative (LHS)	1.4	0.4	0.9	0.9	1.1	1.1	1.4	1.5	2.3	1.8	1.8

Lothian Buses Pension Fund

Fund Account for year ended 31 March 2016

Restated* 2014/15 £000		Note	2015/16 £000
	Income		
7,094	Contributions from employer	**4**	7,538
2,162	Contributions from members		2,129
-	Transfers from other schemes		-
9,256			**9,667**
	Less: expenditure		
7,790	Pension payments including increases		8,087
2,864	Lump sum retirement payments		2,101
262	Lump sum death benefits		530
-	Refunds to members leaving service		2
17	Transfers to other schemes	**5**	129
112	Administrative expenses	**6a**	102
11,045			**10,951**
(1,789)	**Net withdrawls from dealing with members**		**(1,284)**
	Returns on investments		
8,426	Investment income	**7**	8,076
43,422	Change in market value of investments	**9, 15b**	3,532
(1,400)	Investment management expenses	**6b**	(1,677)
50,448	**Net returns on investments**		**9,931**
48,659	**Net increase in the Fund during the year**		**8,647**
337,125	**Net assets of the Fund at 1 April 2015**		385,784
385,784	**Net assets of the Fund at 31 March 2016**		**394,431**

* The results for the year ended 31 March 2015 have been restated to reflect a change in the accounting policy on securities lending revenue and the related management charges. The effect is to increase both investment income and investment management expenses by £80k. There is no change in the net return on investement. See note 2 for details.

Lothian Buses Pension Fund

Net Assets Statement as at 31 March 2016

31 March 2015 £000		Note	31 March 2016 £000
	Investment Assets		
13,209	Fixed interest securities	8	19,661
242,863	Equities	8	236,417
105,943	Pooled investment vehicles	8	121,923
-	Derivatives - forward foreign exchange	10	-
19,174	Cash Deposits		11,811
1,072	Other investment assets		1,291
382,261			**391,103**
	Investment Liabilities		
-	Derivatives - forward foreign exchange	10	(32)
(98)	Other investment assets		(283)
(98)			**(315)**
382,163	**Net investment assets**	9, 11	**390,788**
	Current assets		
1,113	The City of Edinburgh Council	22	400
2,026	Cash balances	16, 22	2,867
726	Debtors	19	828
3,865			**4,095**
	Current liabilities		
(244)	Creditors	20	(452)
(244)			**(452)**
3,621	**Net current assets**		**3,643**
385,784	**Net assets of the Fund at 31 March 2016**		**394,431**

JOHN BURNS FCMA CGMA
Chief Finance Officer, Lothian Pension Fund
27 June 2016

Notes to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by IAS26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.

Notes to the Financial Statements

1 Statement of Accounting Policies

The statement of accounting policies for all three Funds' can be found on page 112.

2 Prior year adjustment

During the year, the Fund has changed its accounting policy in respect to securities lending revenue that has required the restatement of 2014/15 results.

Previously securities lending revenue was recognised net of fees, as management charges were deducted from source. The new treatment recognises the gross income from securities lending revenue that impacts both the investment income of the Fund and the investment management expenses.

	2014/15 Restated £000	Adjustment £000
Investment income	8,426	80
Investment management expenses	(1,400)	(80)

3 Events after the Reporting Date

There have been no events since 31 March 2016, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

4 Contributions from employer

By category	2014/15 £000	2015/16 £000
Normal (ongoing contributions)	7,094	7,425
Deficit contribution	-	-
Strain costs and augmentation contribution	-	113
	7,094	7,538

The Lothian Buses Pension Fund is a single employer pension fund for employees of Lothian Buses Ltd. The Lothian Buses Fund was set up in 1986 under the Local Government Superannuation (Funds) (Scotland) regulations 1986 (SSI 115/1986).

From 2015/16 onwards, no deficit funding was required (as stated in the actuarial valuation of 31 March 2014). The employer contribution rate was 21.7% for the period from 1 April 2015 to 31 December 2015 then 22.9% of pensionable pay for service currently being accrued for the remainder of the financial year.

Where the employer makes certain decisions which result in additional benefits being paid out to a member, or benefits being paid early, this results in a "strain" on the Fund. The resulting pension strain costs are calculated and recharged in full to the employer.

Notes to the Financial Statements

5 Transfers out to other pension schemes

	2014/15 £000	2015/16 £000
Group transfers	-	-
Individual transfers	17	129
	17	129

6a Administrative expenses

	2014/15 £000	2015/16 £000
Employee Costs	53	52
The City of Edinburgh Council - other support costs	7	7
System costs	12	13
Actuarial fees	21	13
External audit fees	2	2
Legal fees	-	-
Printing and postage	5	4
Depreciation	4	3
Office costs	5	6
Sundry costs less sundry income	3	2
	112	102

The Investment and Pensions Division of the Council is responsible for administering the three pension Funds. The Division receives an allocation of the overheads of the Council. In turn the Division allocates administration and investment costs to the three pension funds. Costs directly attributable to a specific fund are charged to the relevant Fund, costs that are common to all three funds are allocated on a defined basis. Other costs were allocated based on the number of members of each Fund.

6b Investment management expenses

	2014/15 £000	2015/16 £000
External management fees -		
invoiced	539	704
deducted from capital (direct investment)	381	329
deducted from capital (indirect investment)	208	368
Securities lending fees	80	43
Transaction costs	31	59
Employee costs	63	70
Custody fees	36	34
Engagement and voting fees	5	6
Performance measurement fees	17	17
Consultancy fees	-	12
System costs	11	13
Legal fees	8	3
The City of Edinburgh Council - other support costs	12	9
Depreciation	-	1
Office costs	4	5
Sundry costs less sundry income	5	4
	1,400	1,677

6b Investment management expenses (cont)

Any costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions or in the proceeds of investment sales (see note 9 - Reconciliation of movements in investments and derivatives).

It should be noted that Lothian Buses Pension Funds disclosure on investment management fees goes further than CIPFA's LGPS Management Cost revised guidance on cost transparency. Consistent with previous years, the Fund recognises fees deducted from investments not within its direct control (such as fund of fund fees) to give a full picture of its investment management costs. Further details can be found on page 16. This further disclosure highlights an extra £368k in costs (2014/15 £208k)

The external investment management fees above include £0.1m in respect of performance-related fees (2014/15 £0.1m).

6c Total Management expenses

	2014/15 £000	2015/16 £000
Administrative costs	84	80
Investment management expenses*	1,339	1,621
Oversight and governance costs	89	78
	1,512	1,779

* includes £368k (2014/15 £208k) in costs above CIPFA guidance

In accordance with CIPFA, the above analysis looks at the combined administration and investment management expenses in note 6a and b and splits out the costs to include a third heading covering oversight and governance expenditure.

Notes to the Financial Statements

7 Investment income

	2014/15 £000	2015/16 £000
Income from fixed interest securities	84	92
Dividends from equities	6,230	6,025
Income from pooled investment vehicles	1,747	1,751
Interest on cash deposits	50	53
Stock lending and sundries	400	214
	8,511	8,135
Irrecoverable withholding tax	(85)	(59)
	8,426	8,076

8 Analysis of investments

Investment Assets	Region	31 March 2015 £000	31 March 2016 £000
Fixed Interest securities			
Public sector fixed interest securities	Overseas	-	1,122
Public sector index linked gilts quoted	UK	13,209	18,539
		13,209	19,661
Equities			
Quoted	UK	39,225	32,849
Quoted	Overseas	203,638	203,568
		242,863	236,417
Pooled investment vehicles *			
Managed funds - property	UK	34,201	37,492
Managed funds - index linked	UK	28,449	28,326
Managed funds - other bonds	UK	27,380	27,221
Timber funds - unquoted	Overseas	6,341	8,023
Infrastructure - unquoted	UK	2,053	4,424
Infrastructure - unquoted	Overseas	7,519	13,583
Private debt funds - unquoted	UK	-	1,051
Private debt funds - unquoted	Overseas	-	1,803
		105,943	121,923

Notes to the Financial Statements

9 **Reconciliation of movement in investments and derivatives**

	Market value at 31 March 2015 £000	Purchases at cost & derivative payments £000	Sales & derivative receipts £000	Change in market value £000	Market value at 31 March 2016 £000
Fixed interest	13,209	10,193	(4,284)	543	19,661
Equities	242,863	27,541	(31,081)	(2,906)	236,417
Pooled investment vehicles	105,943	12,172	(1,947)	5,755	121,923
Derivatives - fwd foreign exchange	-	31	(7)	(56)	(32)
	362,015	49,937	(37,319)	3,336	377,969
Other financial assets / (liabilities)					
Cash deposits	19,174			112	11,811
Broker balances	(17)			84	(73)
Dividend due etc	991			-	1,081
	20,148			196	12,819
	382,163			3,532	390,788

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Any costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables above.

	Market value at 31 March 2014 £000	Purchases at cost & derivative payments £000	Sales & derivative receipts £000	Change in market value £000	Market value at 31 March 2015 £000
Fixed interest	6,511	5,185	(391)	1,904	13,209
Equities	221,274	20,545	(27,165)	28,209	242,863
Pooled investment vehicles	87,978	5,319	(779)	13,425	105,943
	315,763	31,049	(28,335)	43,538	362,015
Other financial assets / (liabilities)					
Cash deposits	19,521			(113)	19,174
Broker balances	(850)			(3)	(17)
Dividend due etc	911			-	991
	19,582			(116)	20,148
Net financial assets	335,345			43,422	382,163

Notes to the Financial Statements

10 Derivatives - forward foreign exchange

Summary of contracts held at 31 March 2016

Contract settlement within	Currency bought	Currency sold	Local currency bought 000	Local currency sold 000	Asset value £000	Liability value £000
Up to one month	GBP	EUR	1,055	(1,370)	-	(32)
Open forward currency contracts at 31 March 2016					-	(32)
Net forward currency contracts at 31 March 2016						(32)
Prior year comparative						
Open forward currency contracts at 31 March 2015					-	-
Net forward currency contracts at 31 March 2015						-

The above table summarises the contracts held by maturity date, all contracts are traded on an over the counter basis.

In order to maintain appropriate diversification of investments in the portfolio and take advantage of wider opportunities, the Lothian Buses Pension Fund invests in overseas markets. Forward foreign exchange contracts, were used to the extent to which the Fund is exposed to certain currency movements.

Notes to the Financial Statements

11 Investment managers and mandates

Manager	Mandate	Market value at 31 March 2015 £000	% of total 31 March 2015 %	Market value at 31 March 2016 £000	% of total 31 March 2016 %
Baillie Gifford	Global equities	120,728	31.7	112,761	28.9
In-house	Global high dividend	113,824	29.8	116,638	29.8
In-house	Private equity quoted	4,753	1.2	4,659	1.2
Total global equities		239,305	62.7	234,058	59.9
Baillie Gifford	Index linked gilts	28,449	7.5	28,326	7.2
In-house	Index linked gilts	13,915	3.6	19,771	5.1
Total inflation linked bonds		42,364	11.1	48,097	12.3
Baillie Gifford	Corporate bonds	27,380	7.2	27,221	7.0
In-house	Secured loans quoted	530	0.1	4	0.0
In-house	Secured loans unquoted	-	-	2,855	0.7
Total fixed income assets		27,910	7.3	30,080	7.7
Standard Life	Property	34,201	8.9	37,491	9.6
In-house	Infrastructure unquoted	7,915	2.1	18,007	4.6
In-house	Infrastructure quoted	7,026	1.8	6,660	1.7
In-house	Timber	6,341	1.7	8,022	2.1
In-house	Alternatives Cash	1,657	0.4	515	0.1
Total other real assets		57,140	14.9	70,695	18.1
In-house	Cash	11,986	3.1	7,858	2.0
In-house	Transition	3,458	0.9	-	-
Total cash and sundries		15,444	4.0	7,858	2.0
Net financial assets		382,163	100.0	390,788	100.0

12 Investments representing more than 5% of the net assets of the Fund

	Market value at 31 March 2015 £000	% of net assets 31 March 2015	Market value at 31 March 2016 £000	% of net assets 31 March 2016
Standard Life Property Fund	34,201	8.9	37,491	9.5
Baillie Gifford Index Linked Gilt Fund	28,449	7.4	28,326	7.2
Baillie Gifford Inv Grade Bond Fund	27,380	7.1	27,221	6.9

13 Investments representing more than 5% of any investment class

Fixed interest	Market value at 31 March 2015 £000	% of asset class 31 March 2015	Market value at 31 March 2016 £000	% of asset class 31 March 2016
UK Gov 0.125% Index Linked 22/03/44	1,151	8.7	3,142	16.0
UK Gov 1.25% Index Linked 2055	758	5.7	2,341	11.9
UK Gov 0.125% Index Linked 22/03/68	-	-	1,981	10.1
UK Gov 0.125% Index Linked 22/03/58	-	-	1,847	9.4
UK Gov 2% Index Linked 26/01/35	1,368	10.4	1,360	6.9
UK Gov 0.625% Index Linked 22/03/40	1,215	9.2	1,228	6.2
UK Gov 1.125% Index Linked 22/11/37	1,472	11.1	1,213	6.2
UK Gov 0.25% Index Linked 22/03/52	-	-	1,133	5.8
UK Gov 0.375% Index Linked 22/03/62	866	6.6	919	4.7
UK Gov 0.75% Index Linked 22/11/2047	880	6.7	877	4.5
UK Gov1.25% Index Linked 22/11/2032	1,125	8.5	797	4.1
UK Gov 0.75% Index Linked 22/03/34	1,161	8.8	-	-
UK Gov 4.125% Index Linked 22/07/30	878	6.6	-	-
Pooled funds				
Standard Life Property Fund	34,201	32.3	37,491	30.8
Baillie Gifford Index Linked Gilt Fund	28,449	26.9	28,326	23.2
Baillie Gifford Inv Grade Bond Fund	27,380	25.8	27,221	22.3

14 Securities lending

During the year Lothian Buses Pension Fund participated in a securities lending arrangement with the Northern Trust Company. As at 31 March 2016, £10.4m (2015 £10.5m) of securities were released to third parties. Collateral valued at 110.26% (2015 106.1%) of the market value of the securities on loan was held at that date.

15 Financial Instruments

15a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund's accounting records hence there is no difference between the carrying value and fair value.

Notes to the Financial Statements

15a Classification of financial instruments

Financial assets	31 March 2015 Designated as fair value through fund account £000	31 March 2015 Loans and receivables £000	31 March 2015 Financial liabilities at amortised cost £000	31 March 2016 Designated as fair value through fund account £000	31 March 2016 Loans and receivables £000	31 March 2016 Financial liabilities at amortised cost £000
Investment assets						
Fixed interest	13,209	-	-	19,661	-	-
Equities	242,863	-	-	236,417	-	-
Pooled investments	105,943	-	-	121,923	-	-
Cash	-	19,174	-		11,811	-
Other balances	-	1,071	-		1,291	-
	362,015	20,245	-	378,001	13,102	-
Other assets						
City of Edinburgh Council	-	1,113	-	-	400	-
Cash	-	2,027	-	-	2,867	-
Debtors	-	726	-	-	828	-
	-	3,866	-	-	4,095	-
Assets total	362,015	24,111	-	378,001	17,197	-
Financial liabilities						
Investment liabilities						
Derivative contracts	-	-	-	(32)	-	-
Other investment balances	(98)	-	-	(283)	-	-
	(98)	-	-	(315)	-	-
Other liabilities						
Creditors	-	-	(244)	-	-	(452)
Liabilities total	(98)	-	(244)	(315)	-	(452)
Total net assets	361,917	24,111	(244)	377,686	17,197	(452)

	31 March 2015	31 March 2016
Total net financial assets	385,784	394,431

15b Net gains and losses on financial instruments

	2014/15 £000	2015/16 £000
Designated as fair value through fund account	43,538	3,336
Loans and receivables	(116)	196
Financial liabilities at amortised cost	-	-
Total	43,422	3,532

Notes to the Financial Statements

15c Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and unit trusts.

Quoted investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private debt, infrastructure and timber are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of International Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

15c Valuation of financial instruments carried at fair value (cont)

	31 March 2016 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Designated as fair value through fund account	329,457	19,661	28,883	378,001
Loans and receivables	17,197	-	-	17,197
Total financial assets	346,654	19,661	28,883	395,198
Financial liabilities				
Designated as fair value through fund account	(315)	-	-	(315)
Financial liabilities at amortised cost	(452)	-	-	(452)
Total financial liabilities	(767)	-	-	(767)
Net financial assets	345,887	19,661	28,883	394,431

	31 March 2015 Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Designated as fair value through fund account	332,875	13,209	15,931	362,015
Loans and receivables	24,111	-	-	24,111
Total financial assets	356,986	13,209	15,931	386,126
Financial liabilities				
Designated as fair value through fund account	(98)	-	-	(98)
Financial liabilities at amortised cost	(244)	-	-	(244)
Total financial liabilities	(342)	-	-	(342)
Net financial assets	356,644	13,209	15,931	385,784

16 Nature and extent of risk arising from financial instruments

Risk and risk management

The Fund’s primary aim is to ensure that all members and their dependants receive their benefits when they become payable. The investment strategy aims to maximise the returns from investments within reasonable risk parameters and hence minimise the long-term cost to employers. The Fund achieves this by investing in a diverse range of assets to reduce risk to an acceptable level. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they are due to be paid.

Responsibility for the Fund’s overall investment strategy rests with the Pensions Committee. The Investment Strategy Panel and the internal investment team monitor investment risks on a regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund’s investments.

Consideration of the Fund’s investment risk is part of the overall risk management of the pensions operations. Risks are reviewed regularly to reflect changes in activity and market conditions.

16 Nature and extent of risk arising from financial instruments (cont)

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The Fund considers overall fluctuations in prices arising from a variety of sources: market risk, foreign exchange risk, interest rate risk, credit risk, etc. The different risks may, to some extent, offset each other.

The overall market risk of the Fund depends on the actual mix of assets and encompasses all the different elements of risk.

The Fund manages these risks in a number of ways:

- assessing and establishing acceptable levels of market risk when setting overall investment strategy. Importantly, risk is considered relative to the liabilities of the Fund
- diversification of investments in terms of type of asset, investment styles, investment managers, geographical and industry sectors as well as individual securities
- taking stewardship responsibilities seriously and pursuing constructive engagement with the companies in which we invest
- monitoring market risk and market conditions to ensure risk remains within tolerable levels
- using equity futures contracts from time to time to manage market risk. Exchange traded options are not used by the Fund.

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as “volatility” and it differs by asset class. The table sets out the long-term volatility assumptions used in the Fund’s asset-liability modelling undertaken by the Fund’s investment adviser KPMG:

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	20.5%
Private Equity	30.0%
Timber and Gold	18.0%
Secured Loans	14.0%
Corporate Bonds	6.0%
Index-Linked Gilts	10.8%
Infrastructure	18.0%
Property	13.0%
Cash	1.1%

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset’s change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

16 Nature and extent of risk arising from financial instruments (cont)

Asset classes do not always move in line with each other. The extent to which assets move together is known as their "correlation". A lower correlation means that there is less risk of assets losing value at the same time.

The overall Fund benefits from "diversification" because it invests in different asset classes, which don't all move in line with each other. Consequently, the aggregate risk at the Fund level is less than the total risk from all the individual assets in which the Fund invests. The following table shows the risks at the asset class level and the overall Fund level, with and without allowance for correlation.

	Value at 31 March 2016 £000	% of fund %	Potential Change +/- %	Value on increase £000	Value on decrease £000
Equities - Developed Markets	229,399	58.7	20.5	276,426	182,372
Private Equity	4,659	1.2	30.0	6,057	3,261
Timber and Gold	8,023	2.1	18.0	9,467	6,579
Secured Loan	2,859	0.7	14.0	3,259	2,459
Corporate Bonds	27,221	7.0	6.0	28,854	25,588
Index-Linked Gilts	48,097	12.3	10.8	53,291	42,903
Infrastructure	24,667	6.3	18.0	29,107	20,227
Property	37,491	9.6	13.0	42,365	32,617
Cash and forward foreign exchange	8,372	2.1	1.1	8,464	8,280
Total [1]	390,788	100.0	17.0	457,290	324,286
Total [2]			14.1	446,083	335,493
Total [3]			14.2	446,344	n/a

[1] No allowance for correlations between assets

[2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall Fund assets [2] is lower than the total of the risks to the individual assets.

However, because the purpose of a pension scheme is to make payments to scheme beneficiaries, the true risk of a pension scheme is not measured in absolute terms, but relative to its liabilities [3].

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.

16 Nature and extent of risk arising from financial instruments (cont)

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund's entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits, derivatives and securities lending are the major areas of credit exposure where credit risk is not reflected in market prices.

Cash deposits

At 31 March 2016, cash deposits represented £14.2m, 3.6% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2016	Balances at 31 March 2015 £000	Balances at 31 March 2016 £000
Held for investment purposes			
Northern Trust Global Investment Limited - liquidity funds	Aaa-mf	3,285	2,384
Northern Trust Company - cash deposits	Aa2	3,903	8,509
The City of Edinburgh Council - treasury management	See below	11,986	918
Total investment cash		19,174	11,811
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	2,026	2,867
Total cash		21,200	14,678

The majority of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration.

The Council has in place institutional restrictions on investments and counterparty criteria. These include -

(a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation.

(b) Money market funds (MMFs) no more than £30 million or 15% with any one Fund.

(c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security provided, from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

Notes to the Financial Statements

16 Nature and extent of risk arising from financial instruments (cont)

	Moody's Credit Rating at 31 March 2016	Balances at 31 March 2015 £000	Balances at 31 March 2016 £000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	2,057	505
Goldman Sachs	Aaa-mf	2,055	4
Bank call accounts			
Bank of Scotland	A1	1,324	248
Royal Bank of Scotland	A3	186	40
Santander UK	A1	1,285	-
Barclays Bank	A2	1,341	256
Svenska Handelsbanken	Aa2	2,090	261
HSBC Bank	Aa2	2,045	-
Commonwealth Bank of Australia	Aa2	543	-
Floating rate note			
Rabobank	Aa2	362	-
Building society fixed term deposits			
Nationwide Building Society	A1	362	-
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa1	-	1,717
UK Government Treasury Bills	Aa1	362	754
		14,012	3,785

[1] Very few Local Authorities have their own credit rating but they are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 was 'Aa1').

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Securities lending

The Fund participates in a securities lending programme as described above. The Fund is potentially exposed to credit risk in the event of the borrower of securities defaults. This risk is mitigated by the contractual commitment that borrowers provide collateral in excess of 100% of the value of the securities borrowed. In addition, Northern Trust has signed an agreement requiring it to make good any losses arising from the lending programme.

Derivatives

The Fund transacts foreign currency derivatives over-the-counter and hence is exposed to credit risk in the event of a counterparty defaulting on the net payment or receipt that remains outstanding. This risk is minimised by the use of counterparties that are recognised financial intermediaries with acceptable credit ratings and by netting agreements. At 31 March 2016, the Fund was owed £32k on over-the-counter foreign currency derivatives.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund is not bound by any obligation to replenish its investments and hence is not exposed to refinancing risk.

Notes to the Financial Statements

16 Nature and extent of risk arising from financial instruments (cont)

Liquidity risk

Liquidity risk reflects the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore ensures that there is adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund's cash flows.

The majority (estimated to be approximately 83%) of the Fund's investments could be converted to cash within three months in a normal trading environment.

17 Actuarial statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.

18 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £374m (2015 £400m). This figure is used for statutory accounting purposes by Lothian Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's FRS17/IAS19 reports at each year end.

The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

Financial assumptions	**31 March 2015 % p.a.**	**31 March 2016 % p.a.**
Inflation/pensions increase rate	2.4	2.2
Salary increase rate	4.3	4.2
Discount rate	3.2	3.5

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2012 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies, in years, at age 65 are summarised below:

	31 March 2015		31 March 2016	
	Males	Females	Males	Females
Current pensioners	20.4 years	22.6 years	20.4 years	22.9 years
Future pensioners (assumed to be currently 45)	23.5 years	25.9 years	23.5 years	25.9 years

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Notes to the Financial Statements

19 Debtors

	2014/15 £000	2015/16 £000
Contributions due - employer	528	576
Contributions due - members	161	158
Sundry debtors	37	94
	726	828

Analysis of debtors

	31 March 2015 £000	31 March 2016 £000
Administering Authority	1	1
Other Scheduled Bodies	689	818
Other entities and individuals	36	9
	726	828

20 Creditors

	31 March 2015 £000	31 March 2016 £000
Benefits payable	73	275
Miscellaneous creditors and accrued expenses	171	177
	244	452

Analysis of creditors

	31 March 2015 £000	31 March 2016 £000
Other entities and individuals	244	452
	244	452

21 Additional Voluntary Contributions

Active members of the Lothian Buses Pension Fund have the option to pay additional voluntary contributions (AVCs). These AVCs are invested separately from the main funds, securing additional benefits on a money purchase basis for those members that have elected to contribute. The investment of the AVCs is managed by Standard Life and Prudential.

In accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, AVCs are not included in the pension fund financial statements.

Notes to the Financial Statements

21 Additional Voluntary Contributions (cont)

Total contributions during year for Lothian Buses Pension fund	2014/15 £000	2015/16 £000
Standard Life	9	6
Prudential	73	61
	82	67

Total value at year end for Lothian Buses Pension Fund	31 March 2015 £000	31 March 2016 £000
Standard Life	167	170
Prudential	251	315
	418	485

22 Related party transactions

The City of Edinburgh Council

The Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently there is a strong relationship between the Council and the Pension Funds.

The Investment and Pensions Division of the Council is responsible for administering the three Pension Funds. The Division receives an allocation of the overheads of the Council, based on the amount of central services consumed. In turn, the Division allocates its costs to the three Pension Funds. Costs directly attributable to a specific Fund are charged to the relevant Fund; costs that are common to all three Funds are allocated on a defined basis.

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund is paid a cash sum leaving a working balance in the account to cover the month's pension payroll costs and other expected costs.

	31 March 2015 £000	31 March 2016 £000
Year end balance of holding account	1,113	400
	1,113	400

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2016, the fund had an average investment balance of £9.5m (2015 £6.8m). Interest earned was £12.2k (2015 £31k).

Year end balance on treasury management account	31 March 2015 £000	31 March 2016 £000
Held for investment purposes	11,986	918
Held for other purposes	2,026	2,867
	14,012	3,785

Notes to the Financial Statements

22 Related party transactions (cont)

Office accommodation - 144 Morrison Street, Edinburgh

Investment and Pensions Division of the Council entered into an internal agreement with the Council for the provision of office accommodation at 144 Morrison Street in Edinburgh. The terms of the agreement are equivalent to those that would have been obtained had the accommodation been let on a commercial basis. In the accounts of the Fund the arrangement has been treated as a operational lease. The Investment and Pensions Division is committed to making the following future payments. City of Edinburgh Council sold the property on 31 March 2016, the lease with the new landlord is on the same terms as the internal agreement.

	31 March 2015 £000	31 March 2016 £000
Within one year	-	42
Between one and five years	272	345
After five years	1,379	992
	1,651	1,379
Recognised as an expense during the year	91	92

The above expense has been allocated across the three Funds, Lothian Buses Pension Fund's share is £2.7k.

Governance

As at 31 March 2016, all members of the Pensions Committee, with the exception of Councillor Bill Cook and Richard Lamont, and all members of the Pensions Board, with the exception of Graham Turnbull, were active members of the Lothian Pension Fund or Lothian Buses Pension Fund.

Each member of the Pensions Committee and Pension Board is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest.

During the period from 1 April 2015 to the date of issuing of these accounts, a number of employees of the City of Edinburgh Council and its wholly owned subsidiary, LPFE Limited, held key positions in the financial management of the Lothian Pension Fund. With effect from 1 May 2015, all the employees listed below, with the exception of the Executive Director of Resources, were employed by LPFE Limited. These employees and their financial relationship with the Fund (expressed as cash-equivalent transfer values or CETV) are set out below:

Name	Position held	Accrued CETV as at 31 March 2015 £000	Accrued CETV as at 31 March 2016 £000
Hugh Dunn*	Acting Executive Director of Resources	734	755
Clare Scott	Chief Executive Officer, Lothian Pension Fund	147	175
Bruce Miller	Chief Investment Officer, Lothian Pension Fund	139	185
Struan Fairbairn	Chief Legal & Risk Officer, Lothian Pension Fund	19	30
John Burns	Chief Finance Officer, Lothian Pension Fund	426	474
Esmond Hamilton	Financial Controller	138	161

* Also disclosed in the financial statements of the City of Edinburgh Council.

22 Related party transactions (cont)

Governance

There is no need to produce a remuneration report for 2015/16, as the Pension Fund did not directly employ any staff.

Staff are either employed by City of Edinburgh Council or LPFE Limited, and their costs reimbursed by the Pension Fund. The Councillors, who are members of the Pensions Committee are also remunerated by City of Edinburgh Council.

23 Contractual commitments

The Fund has commitments relating to outstanding call payments due on unquoted funds held in the private debt, timber and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, taking place over a period of years from the date of each original commitment. The outstanding commitments at the year end are as follows:

	31 March 2015 £000	31 March 2016 £000
Outstanding investment commitments	5,387	6,722
	5,387	6,722

As disclosed in note 22 on related party transactions the Investment and Pensions Division has a commitment to make future payments equivalent to rent in respect office accommodation at 144 Morrison Street. Details of the future payments are provided in that note.

24 Contingent assets and liabilities

At 31 March 2016 the Fund had entered into negotiations for two infrastructure co-investments in which it is exposed to the potential risk of investment abort costs. Lothian Buses Pension Fund's exposure to this is approximately £15k.

There were no contingent assets at year end.

25 Impairment losses

No impairment losses have been identified during the year.

Lothian Buses Pension Fund

Actuarial Statement for 2015/16

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2015. In summary, the key funding principles are as follows:

- To ensure solvency of the Fund;
- To minimise the degree of short-term change in employer contribution rates;
- Reduce risk of the investment strategy over time;
- To ensure that sufficient cash is available to meet all liabilities as they fall due for payment

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 32 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £337 million, were sufficient to meet 117% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2014 valuation was £48 million.

On the more prudent gilts basis, the Fund's assets as at 31 March 2014 were sufficient to meet 88% of the liabilities accrued to that date. The resulting deficit at the 2014 valuation, on the gilts basis, was £45 million.

The employer contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

Lothian Buses Pension Fund

Actuarial Statement for 2015/16

The key financial assumptions adopted for the 2014 valuation were as follows:

Financial assumptions	31 March 2015 % p.a. Nominal	31 March 2015 % p.a. Real
Discount rate	5.0%	2.3%
Pay increases*	5.0%	2.3%
Price inflation/Pension increases	2.7%	-

*2% p.a. for 2014/15 and 2015/16, reverting to 5.0% thereafter.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2012 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.4 years	22.6 years
Future Pensioners *	23.5 years	25.9 years

*Future pensioners are assumed to be at the 2014 valuation aged 45.

Copies of the 2014 valuation report and Funding Strategy Statement are available on request from The City of Edinburgh Council, the Administering Authority to the Fund.

Experience over the period since April 2014

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. The funding level is therefore likely to have worsened over the period.

Richard Warden FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

22 April 2016

Scottish Homes Pension Fund

Membership records

Status	Membership at 31/03/2013	Membership at 31/03/2014	Membership at 31/03/2015	Membership at 31/03/2016
Active	-	-	-	-
Deferred	626	595	562	522
Pensioners	978	956	928	922
Dependants	308	298	293	291
Total	**1,912**	**1,849**	**1,783**	**1,735**

Investment strategy

The funding agreement with the Scottish Government and the investment strategy are designed to reduce investment risk as the Fund is closed to new members and the liabilties will mature over time. They allow for acceleration in the sale of equities and property and purchase of bonds if the actual funding level improves to the target funding level. The 2014 Actuarial Valuation showed that the actual funding level (88.8%) was below the target funding level (91.5%).

Following the results of the 2014 Actuarial Valuation, the Pensions Committee approved a revised investment strategy for Scottish Homes Pension Fund in December 2014, with a reducing equity allocation, and corresponding increases in the bond allocation dependent on funding level. The target funding levels from 2014 to 2026 are shown in the table below along with the corresponding target allocations.

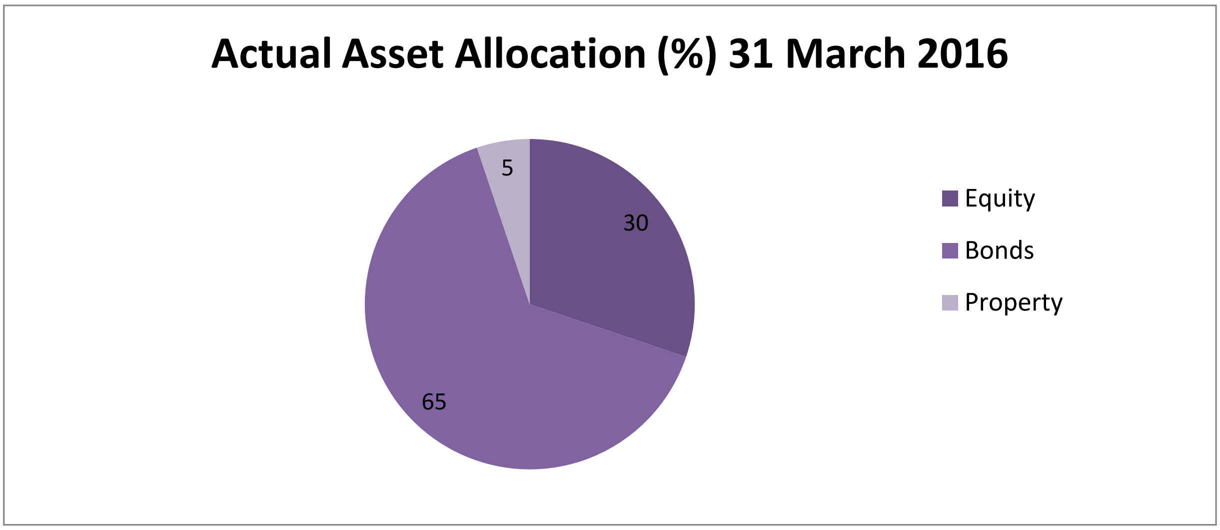
Year [1]	Target Funding Level %	Target Equity Allocation %
2014	91.5	30
2017	93.0	25
2020	94.5	20
2023	95.5	15
2026	96.5	10

[1] The Scottish Government guarantee agreement sets out the increasing target funding levels every 3 years until 2044.

Over 2015/16, the actual funding level fluctuated above and below the target funding level reflecting movements in market interest rates and fund asset prices. Action was taken to vary the equity allocation between 25% and 30% over the year, consistent with the funding approach. The strategic asset allocation at the end of the 2015 and 2016 financial years are shown below.

	Strategic Allocation 31 March 2015 %	Strategic Allocation 31 March 2016 %
Equities	27.5	30.0
Bonds	67.5	65.0
Property	5.0	5.0
Cash	-	-
Total	**100.0**	**100.0**

The actual asset allocation at 31 March 2016 is shown in the pie chart below.



During 2015/16, there were three changes in strategy: a reduction in equities in April 2015 to 25%, an increase in equities in October 2015 to 27.5% and a further increase in equities to 30% in February 2016. These changes were made to take advantage of movements in financial markets.

Following a review of the investment strategy during 2015/16, proposals have been put forward to the Scottish Government to change and update its funding agreement. The Scottish Government has agreed to consider alternatives to the existing funding approach. The current bond-focused investment strategy provides income yield of less than 2%, and so the Fund is required to sell assets on a regular basis to pay pensions. The review concluded that a less prescriptive investment and funding strategy would allow a higher-yielding investment strategy and a more flexible approach to setting contributions. Further development of an alternative investment strategy will be taken forward in 2016.

Investment performance

The objectives of the Fund are:

- over long-term economic cycles (typically 5 years or more), the achievement of the same return as that generated by the strategic allocation;
- over shorter periods, the Fund should perform better than the strategic allocation if markets fall significantly.

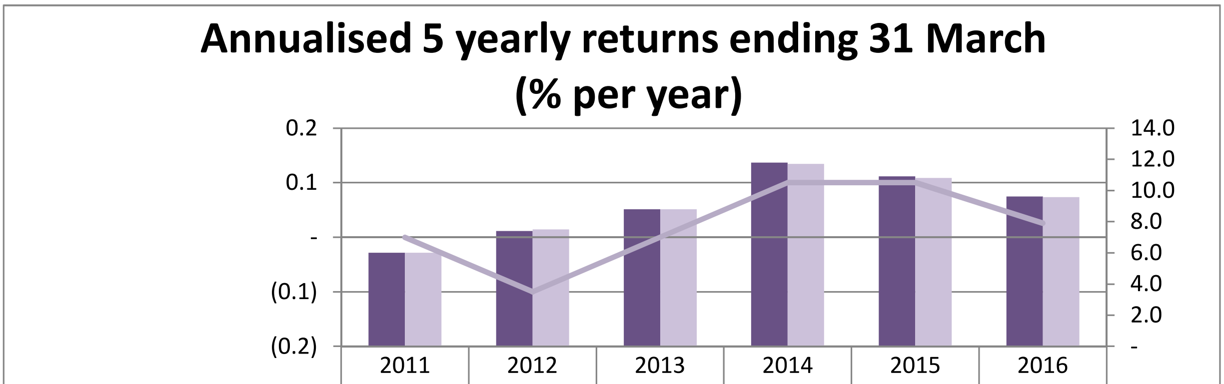
The Fund's annualised performance over the year and longer-term periods is shown in the table below. The Fund has performed broadly in line with its benchmark over all time periods.

Annualised returns to 31 March 2016 (% per year)	1 year	5 years	10 years
Scottish Homes Pension Fund	1.7	9.6	7.8
Benchmark	1.9	9.6	7.8
Actuarial Valuation Assumptions *	1.0	3.6	4.0
Retail Price Index (RPI)	1.6	2.3	3.0
Consumer Price Index (CPI)	0.5	1.7	2.4
National Average Earnings	1.9	1.6	2.2

* estimated

The absolute performance of Scottish Homes Pension Fund over the 12-month period was 1.7% and 5 year performance was 9.6% per annum. The Fund's large holdings of bonds made a small gain of 1.6% over 2015/16 while equities fell 2.1%. Property was the best performing asset class in the Fund over the year returning 11.4%. The Fund's equity and bond assets are currently managed passively, pending the review of strategy. The Fund's risk has been slightly lower than that of the benchmark over the last year and 5 years. Schroder (property portfolio) slightly underperformed its benchmarks over the year while the internally managed gilt portfolio performed in line with its benchmark. Since inception, in July 2005, the Fund has returned +8.5% per annum, well ahead of measures of inflation and of national average earnings.

Annualised 5 yearly returns ending 31 March (% per year)



	2011	2012	2013	2014	2015	2016
Fund	6.0	7.4	8.8	11.8	10.9	9.6
Benchmark	6.0	7.5	8.8	11.7	10.8	9.6
Relative (LHS)	-	(0.1)	-	0.1	0.1	0.0

Scottish Homes Pension Fund

Fund Account for year ended 31 March 2016

2014/15 £000		Note	2015/16 £000
	Income		
771	Contributions from employer	*3*	675
-	Transfers from other schemes		-
771			**675**
	Less: expenditure		
7,057	Pension payments including increases		6,890
372	Lump sum retirement payments		472
11	Lump sum death benefits		7
93	Transfers to other schemes	*4*	290
69	Administrative expenses	*5b*	53
7,602			**7,712**
(6,831)	**Net withdrawls from dealing with members**		**(7,037)**
	Returns on investments		
569	Investment income	*6*	799
24,861	Change in market value of investments	*7, 10b*	1,962
(184)	Investment management expenses	*5c*	(169)
25,246	**Net returns on investments**		**2,592**
18,415	**Net increase/(decrease) in the Fund during the year**		**(4,445)**
136,305	**Net assets of the Fund at 1 April 2015**		154,720
154,720	**Net assets of the Fund at 31 March 2016**	*10*	**150,275**

Scottish Homes Pension Fund

Net Assets Statement as at 31 March 2016

31 March 2015 £000		Note	31 March 2016 £000
	Investment Assets		
54,147	Fixed interest securities		59,749
97,503	Pooled investment vehicles		88,661
7,875	*- UK managed fund - Property*		*7,788*
42,611	*- UK managed fund - Equity*		*44,928*
47,017	*- UK managed fund - Gilts*		*35,945*
244	Cash Deposits		11
173	Other investment assets		177
152,067			**148,598**
	Investment Liabilities		
-	Other investment assets		-
-			-
152,067	**Net investment assets**	*8*	**148,598**
	Current assets		
219	The City of Edinburgh Council	*16*	95
2,433	Cash balances	*11, 16*	1,610
27	Debtors	*14*	22
2,679			**1,727**
	Current liabilities		
(26)	Creditors	*15*	(50)
(26)			**(50)**
2,653	**Net current assets**		**1,677**
154,720	**Net assets of the Fund at 31 March 2016**	*10*	**150,275**

JOHN BURNS FCMA CGMA
Chief Finance Officer, Lothian Pension Fund
27 June 2016

Note to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by IAS26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.

Notes to the Financial Statements

1 Statement of Accounting Policies

The statement of accounting policies for all Funds can be found on page 112.

2 Events after the Reporting Date

There have been no events since 31 March 2016, and up to the date when these Financial Statements were authorised, that require any adjustments to these Financial Statements.

3 Contributions from employer

	2014/15 £000	2015/16 £000
Deficit funding	671	575
Administration expenses	100	100
	771	675

The Scottish Homes Pension Fund is a single employer pension fund for former employees of Scottish Homes. The Scottish Homes Pension Fund was set up under (Scottish) Statutory Instrument 315/2005, when Scottish Homes became Communities Scotland , an agency of the Scottish Government.

Following the actuarial valuation at 31 March 2014, deficit funding of £575,000 per year is being paid by the Scottish Government over the period April 2015 to March 2018. In addition, the Scottish Government agreed to pay £100,000 every year towards the cost of ongoing administration.

Where the Scottish Government makes certain decisions which result in additional benefits being paid out to a member, or benefits being paid early, this results in a "strain" on the Fund. The resulting pension strain costs are calculated and recharged in full.

The Fund consists of only deferred and pensioner members, hence no employee contributions were paid during the year.

4 Transfers out to other pension schemes

	2014/15 £000	2015/16 £000
Group transfers	-	-
Individual transfers	93	290
	93	290

5a Total Management expenses

	2014/15 £000	2015/16 £000
Administrative costs	40	38
Investment management expenses	159	149
Oversight and governance costs	54	35
	253	222

This analysis of costs for the Scottish Homes Pension Fund has been prepared in accordance with CIPFA guidance. The analysis looks at the combined administration and investment management expenses in note 9b and c and splits out the costs to include a third heading covering oversight and governance expenditure.

5b Administrative expenses

	2014/15 £000	2015/16 £000
Employee Costs	25	23
The City of Edinburgh Council - other support costs	3	3
System costs	7	7
Actuarial fees	25	12
External audit fees	1	1
Printing and postage	2	2
Depreciation	2	1
Office costs	2	2
Sundry costs less sundry income	2	2
	69	53

The Investment and Pensions Division of the Council is responsible for administering the three Pension Funds. The Division receives an allocation of the overheads of the Council. In turn the Division apportioned administration and investment costs to the three pension funds. Costs directly attributable to a specific fund are charged to the relevant Fund, costs that are common to all three funds are apportioned on a defined basis.

5c Investment management expenses

	2014/15 £000	2015/16 £000
External management fees - invoiced	59	52
External management fees - deducted from capital (direct)	60	52
External management fees - deducted from capital (indirect)	-	-
Transaction costs	-	1
Employee costs	25	25
Custody fees	18	17
Engagement and voting fees	2	2
Performance measurement fees	5	5
Consultancy fees	-	2
System costs	4	5
Legal fees	2	-
The City of Edinburgh Council - other support costs	5	3
Office costs	2	2
Sundry costs less sundry income	2	3
	184	169

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions or in the proceeds of investment sales (see note 7a - Reconciliation of movements in investments).

The Fund has not incurred any performance-related investment management fees in 2015/16 or 2014/15.

Notes to the Financial Statements

6 Investment income

	2014/15 £000	2015/16 £000
Income from fixed interest securities	250	512
Income from pooled investments - property	308	277
Interest on cash deposits	11	10
	569	799
Irrecoverable withholding tax	-	-
	569	799

7 Reconciliation of movement in investments

	Market value at 31 March 2015 £000	Purchases at cost £000	Sales & proceeds £000	Change in market value £000	Market value at 31 March 2016 £000
Fixed interest securities	54,147	5,698	-	(96)	59,749
Pooled investment vehicles	97,503	13,987	(24,887)	2,058	88,661
	151,650	19,685	(24,887)	1,962	148,410
Other financial assets / (liabilities)					
Cash deposits	244			-	11
Dividend due etc	173			-	177
	417			-	188
Net financial assets	152,067			1,962	148,598

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables above.

	Market value at 31 March 2014 £000	Purchases at cost £000	Sales & proceeds £000	Change in market value £000	Market value at 31 March 2015 £000
Fixed interest securities	-	49,838	-	4,309	54,147
Pooled investment vehicles	133,761	-	(56,810)	20,552	97,503
	133,761	49,838	(56,810)	24,861	151,650
Other financial assets / (liabilities)					
Cash deposits	-			-	244
Dividend due etc	-			-	173
	-			-	417
Net financial assets	133,761			24,861	152,067

Notes to the Financial Statements

8 Investment managers and mandates

Manager	Mandate	Market value at 31 March 2015 £000	% of total 31 March 2015 %	Market value at 31 March 2016 £000	% of total 31 March 2016 %
State Street	UK equities	9,199	6.0	10,060	6.8
Total UK equities		9,199	6.0	10,060	6.8
State Street	N American equities	12,575	8.3	13,752	9.3
State Street	European (ex UK) equities	8,580	5.6	8,994	6.1
State Street	Pacific (ex Japan) equities	3,544	2.3	3,617	2.4
State Street	Japanese equities	5,264	3.5	4,834	3.3
State Street	Emerging markets equities	3,449	2.3	3,672	2.5
Total regional overseas equities		33,412	22.0	34,869	23.5
In-house	UK Index linked gilts	54,564	35.9	59,937	40.3
State Street	UK Fixed interest gilts	21,362	14.0	19,777	13.3
State Street	UK Index linked gilts	25,655	16.9	16,167	10.9
Total fixed interest and	**inflation linked bonds**	101,581	66.8	95,881	64.5
Standard Life	Property	7,875	5.2	7,788	5.2
Total property		7,875	5.2	7,788	5.2
Net financial assets		152,067	100.0	148,598	100.0

The Fund's investments with State Street are structured in Unitised Insurance Policies.

9 Investments representing more than 5% of the net assets of the Fund

	Market value at 31 March 2015 £000	% of total 31 March 2015 %	Market value at 31 March 2016 £000	% of total 31 March 2016 %
UK Gov 1.125% Index Linked 22/11/27	26,489	17.4	26,386	17.6
State Street UK Index Linked Gilts Over 15 Years	25,655	16.9	16,167	10.8
State Street UK Conventional Gilts Over 15 Years	21,362	14.0	19,777	13.2
UK Gov 1.25% Index Linked 22/11/32	16,401	10.8	16,380	10.9
State Street MPF North America Equity Index	12,575	8.3	13,752	9.2
UK Gov 1.125% Index Linked 22/11/37	11,257	7.4	11,321	7.5
State Street MPF UK Equity Index	9,199	6.0	10,060	6.7
State Street MPF Europe ex-UK Equity Index	8,580	5.6	8,994	6.0
Schroders UK Real Estate Income Units	7,874	5.2	7,788	5.2

Notes to the Financial Statements

10 Financial Instruments

10a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund's accounting records hence there is no difference between the carrying value and fair value.

	31 March 2015			31 March 2016		
Financial assets	Designated as fair value through fund account £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through fund account £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Investment assets						
Fixed interest	54,147	-	-	59,749	-	-
Pooled investments	97,503	-	-	88,661	-	-
Cash	-	244	-	-	11	-
Other balances	-	173	-	-	177	-
	151,650	417	-	148,410	188	-
Other assets						
City of Edinburgh Council	-	219	-	-	95	-
Cash	-	2,433	-	-	1,610	-
Debtors	-	27	-	-	22	-
	-	2,679	-	-	1,727	-
Assets total	151,650	3,096	-	148,410	1,915	-
Financial liabilities						
Other liabilities						
Creditors	-	-	(26)	-	-	(50)
Liabilities total	-	-	(26)	-	-	(50)
Total net assets	151,650	3,096	(26)	148,410	1,915	(50)

Total net financial instruments	154,720	150,275

10b Net gains and losses on financial instruments

	2014/15 £000	2015/16 £000
Designated as fair value through fund account	24,681	1,962
Loans and receivables	-	-
Financial liabilities at amortised cost	-	-
Total	24,681	1,962

Notes to the Financial Statements

10c Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and unit trusts.

Quoted investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity, infrastructure, timber and European real estate are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of International Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

	31 March 2016			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Designated as fair value through fund account	88,661	59,749	-	148,410
Loans and receivables	1,915	-	-	1,915
Total financial assets	90,576	59,749	-	150,325
Financial liabilities				
Designated as fair value through fund account	-	-	-	-
Financial liabilities at amortised cost	(50)	-	-	(50)
Total financial liabilities	(50)	-	-	(50)
Net financial assets	90,526	59,749	-	150,275

10c Valuation of financial instruments carried at fair value (cont)

	31 March 2015			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Designated as fair value through fund account	97,503	54,147	-	151,650
Loans and receivables	3,096	-	-	3,096
Total financial assets	100,599	54,147	-	154,746
Financial liabilities				
Designated as fair value through fund account	-	-	-	-
Financial liabilities at amortised cost	(26)	-	-	(26)
Total financial liabilities	(26)	-	-	(26)
Net financial assets	100,573	54,147	-	154,720

11 Nature and extent of risk arising from financial instruments

Risk and risk management

The Fund's primary aim is to ensure that all members and their dependants receive their benefits when they become payable. The investment strategy aims to maximise the returns from investments within reasonable risk parameters and hence minimise the long-term cost to employer. The Fund achieves this by investing in a diverse range of assets to reduce risk to an acceptable level. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they are due to be paid.

Responsibility for the Fund's overall investment strategy rests with the Pensions Committee. The Investment Strategy Panel and the internal investment team monitor investment risks on a regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund's investments.

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The Fund considers overall fluctuations in prices arising from a variety of sources: market risk, foreign exchange risk, interest rate risk, credit risk, etc. The different risks may, to some extent, offset each other. The overall market risk of the Fund depends on the actual mix of assets and encompasses all the different elements of risk.

The Fund manages these risks in a number of ways:

- assessing and establishing acceptable levels of market risk when setting overall investment strategy. Importantly, risk is considered relative to the liabilities of the Fund
- diversification of investments in terms of type of asset, investment styles, investment managers, geographical and industry sectors as well as individual securities
- taking stewardship responsibilities seriously and pursuing constructive engagement with the companies in which we invest
- monitoring market risk and market conditions to ensure risk remains within tolerable levels

Notes to the Financial Statements

11 Nature and extent of risk arising from financial instruments (cont)

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as "volatility" and it differs by asset class. The table sets out the long-term volatility assumptions used by the Fund's investment adviser KPMG:

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	20.5%
Equities - Emerging Markets	30.0%
Fixed Interest Gilts	6.7%
Index-Linked Gilts	10.8%
Property	13.0%

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset's change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

Asset classes don't always move in line with each other. The extent to which assets move together is known as their "correlation". A lower correlation means that there is less risk of assets losing value at the same time. The overall Fund benefits from "diversification" because it invests in numerous different asset classes, which don't all move in line with each other. Consequently, the aggregate risk at the Fund level is less than the total risk from all the individual assets in which the Fund invests.

The following table shows the risks at the asset class level and the overall Fund level.

	Value at 31 March 2016 £000	% of fund %	Potential Change +/- %	Value on increase £000	Value on decrease £000
Equities - Developed Markets	41,256	27.8	20.5	49,713	32,799
Equities - Emerging Markets	3,672	2.5	30.0	4,774	2,570
Fixed Interest Gilts	19,777	13.3	6.7	21,102	18,452
Index-Linked Gilts	76,105	51.2	10.8	84,324	67,886
Property	7,788	5.2	13.0	8,800	6,776
Total [1]	148,598	100.0	13.5	168,714	128,482
Total [2]			9.4	162,566	134,630
Total [3]			8.3	160,932	n/a

[1] No allowance for correlations between assets

[2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall Fund assets [2] is lower than the total of the risks to the individual assets [1].

11 Nature and extent of risk arising from financial instruments (cont)

However, because the purpose of a pension scheme is to make payments to scheme beneficiaries, the true risk of a pension scheme is not measured in absolute terms, but relative to its liabilities [3]. The risk is lower than the absolute asset risk, due to the impact of correlation with the discount rate used to value the liabilities.

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund's entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits are the major areas of credit exposure where credit risk is not reflected in market prices.

Cash deposits

At 31 March 2016, cash deposits represented £1.6m, 1% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2016	Balances at 31 March 2015 £000	Balances at 31 March 2016 £000
Held for investment purposes			
Northern Trust Company - cash deposits	Aaa-mf	244	11
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	2,433	1,610
Total cash		2,677	1,621

The majority of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration. The Council has in place counterparty criteria.

The Council has in place institutional restrictions on investments and counterparty criteria. These include -

(a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation.

(b) Money market funds (MMFs) no more than £30 million or 15% with any one Fund.

(c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security provided, from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

Notes to the Financial Statements

11 Nature and extent of risk arising from financial instruments (cont)

	Moody's Credit Rating at 31 March 2016	Balances at 31 March 2015 £000	Balances at 31 March 2016 £000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	357	215
Goldman Sachs	Aaa-mf	357	2
Bank call accounts			
Bank of Scotland	A1	230	105
Royal Bank of Scotland	A3	32	17
Santander UK	A1	223	-
Barclays Bank	A2	233	109
Svenska Handelsbanken	Aa2	363	111
HSBC Bank	Aa2	355	-
Commonwealth Bank of Australia	Aa2	94	-
Floating rate note			
Rabobank	Aa2	63	-
Building society fixed term deposits			
Nationwide Building Society	A1	63	-
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa1	-	730
UK Government Treasury Bills	Aa1	63	321
		2,433	1,610

[1] Very few Local Authorities have their own credit rating but they are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 was 'Aa1').

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund is not bound by any obligation to replenish its investments and hence is not exposed to refinancing risk.

Liquidity risk

Liquidity risk reflects the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore ensures that there is adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund’s cash flows.

All of the Fund’s investments could be converted to cash within three months in a normal trading environment.

12 Actuarial statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.

13 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £130m (2015 £141m). This figure is used for statutory accounting purposes by Scottish Homes Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's FRS17/IAS19 reports at each year end.

The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

	31 March 2015 % p.a.	31 March 2016 % p.a.
Inflation/pensions increase rate	2.1%	2.2%
Discount rate	3.1%	3.5%

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2012 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies, in years, at age 65 are summarised below:

	31 March 2015		31 March 2016	
	Males	Females	Males	Females
Current pensioners	24.5 years	25.4 years	24.5 years	25.4 years
Future pensioners (assumed to be currently 45)	26.8 years	28.6 years	26.8 years	28.6 years

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

14 Debtors

	31 March 2015 £000	31 March 2016 £000
Sundry debtors	27	22
	27	22

Analysis of debtors

	31 March 2015 £000	31 March 2016 £000
Administering Authority	1	1
Other entities and individuals	26	21
	27	22

Notes to the Financial Statements

15 Creditors

	31 March 2015 £000	31 March 2016 £000
Benefits payable	5	8
Miscellaneous creditors and accrued expenses	21	42
	26	50

Analysis of creditors

	31 March 2015 £000	31 March 2016 £000
Other entities and individuals	26	50
	26	50

16 Related party transactions

The City of Edinburgh Council

The Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently there is a strong relationship between the Council and the Pension Funds.

The Investment and Pensions Division of the Council is responsible for administering the three Pension Funds. The Division receives an allocation of the overheads of the Council, based on the amount of central services consumed. In turn, the Division allocates its costs to the three Pension Funds. Costs directly attributable to a specific Fund are charged to the relevant Fund; costs that are common to all three Funds are allocated on a defined basis.

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund pays a cash sum to the Council leaving a working balance in the account.

	31 March 2015 £000	31 March 2016 £000
Year end balance of holding account	219	95
	219	95

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2016, the fund had an average investment balance of £2.2m (2015 £2.5m). Interest earned was £10.5k (2015 £11.5k).

Year end balance on treasury management account	31 March 2015 £000	31 March 2016 £000
Held for investment purposes	-	-
Held for other purposes	2,433	1,610
	2,433	1,610

Notes to the Financial Statements

16 Related party transactions (cont)

Office accommodation - 144 Morrison Street, Edinburgh

Investment and Pensions Division of the Council entered into an internal agreement with the Council for the provision of office accommodation at 144 Morrison Street in Edinburgh. The terms of the agreement are equivalent to those that would have been obtained had the accommodation been let on a commercial basis. In the accounts of the Fund the arrangement has been treated as a operational lease. The Investment and Pensions Division is committed to making the following future payments. City of Edinburgh Council sold the property on 31 March 2016, the lease with the new landlord is on the same terms as the internal agreement.

	31 March 2015 £000	31 March 2016 £000
Within one year	-	42
Between one and five years	272	345
After five years	1,379	992
	1,651	1,379

Recognised as an expense during the year	91	92

The above expense has been allocated across the three Funds, Scottish Homes Pension Fund's share is £2.2k.

Governance

As at 31 March 2016, all members of the Pensions Committee, with the exception of Councillor Bill Cook and Richard Lamont, and all members of the Pensions Board, with the exception of Graham Turnbull, were active members of the Lothian Pension Fund or Lothian Buses Pension Fund.

Each member of the Pensions Committee is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest.

During the period from 1 April 2015 to the date of issuing of these Financial Statements, a number of employees of the City of Edinburgh Council and its wholly owned subsidiary, LPFE Limited, held key positions in the financial management of the Lothian Pension Fund. With effect from 1 May 2015, all the employees listed below, with the exception of the Executive DIrector of Resources, were employed by LPFE Limited. These employees and their financial relationship with the Fund (expressed as cash-equivalent transfer values or CETV) are set out below:

Name	Position held	Accrued CETV as at 31 March 2015 £000	Accrued CETV as at 31 March 2016 £000
Hugh Dunn*	Acting Executive Director of Resources	734	755
Clare Scott	Chief Executive, Lothian Pension Fund	147	175
Bruce Miller	Chief Investment Officer, Lothian Pension Fund	139	185
Struan Fairbairn	Chief Legal & Risk Officer, Lothian Pension Fund	19	30
John Burns	Chief Finance Officer, Lothian Pension Fund	426	474
Esmond Hamilton	Financial Controller	138	161

* Also disclosed in the financial statements of the City of Edinburgh Council.

16 Related party transactions (cont)

There is no need to produce a remuneration report for 2015/16, as the Pension Fund did not directly employ any staff.

Staff are either employed by City of Edinburgh Council or LPFE Ltd, and their costs reimbursed by the Pension Fund. The Councillors, who are members of the Pensions Committee are also remunerated by City of Edinburgh Council.

17 Contingent assets/liabilities and contractual commitments

There were no contingent liabilities or contractual commitments at the year end.

18 Impairment losses

No impairment losses have been identified during the year.

Scottish Homes Pension Fund

Actuarial Statement for 2015/16

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The administering authority's Funding Strategy Statement, dated November 2015, states that a bespoke funding strategy has been adopted for the Fund.

The strategy aims for the Fund to be 100% solvent by 2044 using a discount rate based on government bonds. It includes target funding levels at each actuarial valuation. Contributions from the Scottish Government are determined by reference to the target funding levels. The deficit recovery period is 8 years.

The Funding strategy is designed to reduce investment risk as the Fund is closed to new members and the liabilities will mature over the time, with a reducing allocation to equities over time reflecting the requirements of the Scottish Government to lock away any surpluses that may occur over time by accelerating the transfer into bonds.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 32 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008 was as at 31 March 2014. This valuation revealed that the Fund's assets, which at 31 March 2014 were valued at £136 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £17 million.

The Guarantor's contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the Fund's funding policy as set out in its Financial Strategy Statement.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 4 December 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund's assets at their market value.

Scottish Homes Pension Fund

Actuarial Statement for 2015/16

The key financial assumptions adopted for the 2014 valuation were as follows:

Assumption	Description
Price Inflation (CPI) (deferreds and pensioners)	Bank of England implied (RPI) curve less 0.8% p.a.
Discount rate (deferreds and pensioners)	Bank of England nominal yield curve

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2012 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	24.5 years	25.4 years
Future Pensioners *	26.8 years	28.6 years

*Future pensioners are assumed to be aged 45 at the 2014 valuation

Copies of the 2014 valuation report and Funding Strategy Statement are available on request from The City of Edinburgh Council, the Administering Authority to the Fund.

Experience over the period since April 2014

The administering authority monitors the funding position on a regular basis as part of its risk management programme. The funding level at 31 March 2016 is estimated to be 92%, an increase of 3% since the formal funding valuation at 31 March 2014.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

21 April 2016

Statement of Accounting Policies and General Notes

1 Basis of preparation

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Financial Statements summarise the transactions of the Funds for the year ended 31 March 2016 and report on the net assets available to pay pension benefits as at 31 March 2016. The Financial Statements do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present values of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are disclosed in the Notes to the Financial Statements.

2 Summary of significant accounting policies

General

a) Basis of consolidation

Commencing with the year ended 31 March 2016, Consolidated Financial Statements have been prepared for Lothian Pension Fund. The Financial Statements of Lothian Buses Pension Fund and Scottish Homes Pension Fund continue to be prepared on a single entity basis.

The Consolidated Financial Statements for Lothian Pension Fund are prepared by combining the Financial Statements of the Fund (the parent entity) and its controlled entity (LPFE Limited) as defined in accounting standard IAS27 - Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements. All inter-entity balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

As LPFE Limited commenced trading on 1 May 2015, the prior year comparative figures consist only of the results of Lothian Pension Fund. Further details of the consolidation are provide in the Notes to the Financial Statements of Lothian Pension Fund.

LPFE Limited is wholly owned by the City of Edinburgh Council. As the purpose of the Company is to provide staff services in respect of investment and general management of the Pension Funds, it is considered appropriate to consolidate the Company's Financial Statements with those of Lothian Pension Fund.

Fund account - revenue recognition

b) Contribution income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the rate certified by the Scheme Actuary in the payroll period to which they relate.

Similarly, employer deficit funding contributions are accounted for on the due date on which they are payable as certified by the scheme actuary.

Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

c) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Statement of Accounting Policies and General Notes

d) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Income from unquoted private equity and infrastructure investments

Income from the above sources is recognised when it is notified by the manager. Distributions are split into capital and income elements with the latter being included under investment income in the Fund Account.

v) Property related income

Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income is reported gross with the operational costs of the properties included in investment management expenses.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

vi) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account - expense items

e) Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

f) Taxation

i) Pension Funds

The Local Government Pension Scheme is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

ii) Controlled entity - LPFE Limited

The Company is a mutual trader and is therefore not liable to corporation tax on any surpluses generated from services provided in respect of the Pension Funds. The tax charge for the period is based on any profit for the period from non-mutual trade, adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the period end date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

g) Administrative expenses

All administrative expenses are accounted for on an accruals basis. The Investment and Pensions Division of the Council is responsible for administering the three Pension Funds. The Division receives an allocation of the overheads of the Council, this is based on the amount of central services consumed. In turn, the Division allocates its costs to the three Pension Funds.

Costs directly attributable to a specific Fund are charged to the relevant Fund. Investment management costs that are common to all three Funds are allocated in proportion to the value of the Funds as at the end of the year. Other administration costs are allocated in proportion to the number of members in each of the Funds at the end of the year.

h) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. For some investment managers, an element of their fee is performance related. The amount of any performance related fees paid is disclosed in the note to the accounts on investment management expenses provided for each Fund.

The cost of administering the Local Government Pension Scheme in the UK has come under increasing scrutiny in recent years. As a result, the decision to recognise investment management costs that are deducted from the value of an investment and recognised this as a cost in the Fund Account rather than as a reduction in the change in market value of investments. Investment transaction costs that are added to an investment purchase price or deducted from the proceeds of a sale are also recognised as a cost in the Fund Account rather than as a reduction in the change in market value of investments.

h) Investment management expenses (cont)

In March 2016, CIPFA revised and updated its guidance "Accounting for Local Government Pension Scheme Management Costs". Whilst the underlying principle of transparency of investment costs remains unchanged, there has been a degree of relaxation to full cost disclosure. Specifically, for complex "Fund of Funds" structures, the new guidance states that "Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the (Pension) Fund Account......If pension funds wish to provide information about the total cost of Fund of Fund investments, this should be included as part of the Investments section in the Annual Report". The impact of this is that investment management costs deducted from any underlying fund in a "Fund of Funds" investment would not be included in the costs disclosed in the Fund Account. As this would significantly under-report investment management costs the decision has been made not to adopt this element of the CIPFA guidance. However, this type of cost is separately identified as "external management fees - deducted from capital (indirect)" in the notes on investment management expenses.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are not treated as an expense. Such costs are accounted for as part of the acquisition costs or sale proceeds.

The cost of obtaining investment advice from external consultants is included in investment management charges.

The costs of the in-house fund management team are charged to the Funds. The basis of allocation is as described in section g) above.

During the year, the policy on accounting for securities lending revenue has been revised. Previously, this revenue was stated net of the agent's management fee. The new policy is to report the revenue gross and include the fee in investment management expenses. The results for 2014/15 have been restated but there is no change in the net return on investments for the year.

i) Operating lease

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease. In accordance with SIC 15, lease incentives are recognised as a reduction in the lease expense over the term of the lease on a straight-line basis.

Net assets statement

j) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.
- securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- the values of the direct investments in unquoted private equity, infrastructure, timber and real estate are based on valuations provided by the general partners to the funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. The valuations are usually undertaken at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

iv) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

v) Freehold and leasehold properties

The properties were valued at fair value at 31 March 2016 by John Symes-Thompson FRICS and Genine Terry MRICS of independent external valuers CB Richard Ellis Ltd. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards global – January 2014 and the RICS Valuation Professional Standards UK January 2014 (revised April 2015), (“the Red Book”). The valuer’s opinion of fair value was primarily derived using comparable recent market transactions on arm’s-length terms.

k) Foreign currency transactions and balances

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

l) Derivatives

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

Statement of Accounting Policies and General Notes

l) Derivatives (cont)

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

m) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

n) Financial liabilities

The Funds recognise financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised.

o) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits of each of the Funds is assessed on a annual basis by the Scheme Actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS26, the Funds have opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statements.

p) Additional voluntary contributions

The Lothian Pension Fund and Lothian Buses Pension Fund provide an additional voluntary contributions (AVC) scheme for their members, the assets of which are invested separately from those of the Funds. The Funds have appointed Standard Life and Prudential as their AVC providers. AVCs are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

In accordance with regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998, AVCs are not included in the pension fund financial statements. Details of contributions paid and the total value of funds invested are disclosed by way of note.

q) Employee benefits

i) Pension Funds

Staff working on the administration of the Pension Funds that are employed by the City of Edinburgh Council are eligible to join the Lothian Pension. As these people are employees of the Council, it's the Council that accounts for the benefits of the defined benefits scheme under IAS19. The Council recharges employment costs to the Pension Funds, including employer contributions to the Lothian Pension Fund.

ii) Controlled entity - LPFE Limited

The employees of LPFE Limited are eligible to participate in the Lothian Pension Fund and the Company contributes to the defined benefits scheme on behalf of its employees.

In the Consolidated Financial Statements the current service cost for the period is charged to the Fund Account. The assets of Lothian Pension Fund are held separately from those of the Company. The Company has fully adopted the accounting principles as required by IAS19 – Employee Benefits.

ii) Controlled entity - LPFE Limited (cont)

The liability recognised in the Net Asset Statement in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in a currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Net Asset Statement in the period in which they arise.

Past-service costs are recognised immediately in the Net Asset Statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

3 Accounting Standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The amendments are generally minor or principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

4 Critical judgements in applying accounting policies
Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving many factors. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of IFRS.

For the Lothian Pension Fund, the value of unquoted private equity, infrastructure and timber investments at 31 March 2016 was £716.2m (2015 £564.2m).

For the Lothian Buses Pension Fund, the value of unquoted private equity, infrastructure and timber investments at 31 March 2016 was £26.0m (2015 £14.3m).

Statement of Accounting Policies and General Notes

Actuarial present value of promised retirement benefits

Each Fund is required to disclose the estimated actuarial present value of promised retirement benefits as at the end of the financial year. These estimates are prepared by the Fund's Actuary. These values are calculated in line with International Accounting Standard 19 (IAS19) assumptions and comply with the requirements of IAS26. However, the results are subject to significant variances based on changes to the underlying assumptions.

The figures are only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Funds.

5 Assumptions made about the future and other major sources of estimation uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council; private equity and infrastructure managers; other providers of valuation information; and the Scheme Actuary about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

a) Actuarial present value of promised retirement benefits
Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Fund Actuary advises on the assumptions to be applied and prepares the estimates.

Effect if actual results differ from assumptions - Lothian Pension Fund

The effects on the net pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions - year ended 31 March 2016	Approx % increase in liabilities %	Approx monetary amount £m
0.5% decrease in discount rate	11	669
1 year increase in member life expectancy	3	188
0.5% increase in salary increase rate	4	241
0.5% increase in pensions increase rate	7	414

Effect if actual results differ from assumptions - Lothian Buses Pension Fund

Change in assumptions - year ended 31 March 2016	Approx % increase in liabilities %	Approx monetary amount £m
0.5% decrease in discount rate	11	40
1 year increase in member life expectancy	3	11
0.5% increase in salary increase rate	4	14
0.5% increase in pensions increase rate	7	25

a) Actuarial present value of promised retirement benefits (cont)

Uncertainties

Effect if actual results differ from assumptions - Scottish Homes Pension Fund

The effects on the net pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions - year ended 31 March 2016	Approx % increase in liabilities %	Approx monetary amount £m
0.5% decrease in discount rate	6	7
1 year increase in member life expectancy	3	4
0.5% increase in pensions increase rate	6	7

b) Valuation of unquoted private equity and infrastructure investments

Uncertainties

These investments are not publicly listed and therefore there is a degree of estimation involved in their valuation.

Effect if actual results differ from assumptions

There is a risk that these investments may be under or overstated in the accounts at any point in time. The actual financial return of this type of investment is only known with certainty when they reach the end of their lifecycles and the final distributions are made to investors.

c) Quantifying the cost of investment fees deducted from capital

Uncertainties

Section 2 h) describes the accounting policy for investment management expenses in relation to expenses deducted from the capital value of investments. Quantification of these costs involves asking the relevant managers for information and only some of this information can be independently verified. In cases where the charges relate to an investment as a whole, an estimate needs to be made of the costs applicable to the holding owned by the relevant Fund.

Effect if actual results differ from assumptions

There is a risk that the cost of investment fees deducted from capital may be under or overstated. However, as the costs are included in the fund account by adjusting the change in market value of investments, any inaccuracy in the cost estimate will not change the reported net change in the fund for the year.

Statement of responsibilities for the Statement of Accounts

The responsibilities of the Administering Authority

The Administering Authority's responsibilities require it to:

- make arrangements for the proper administration of the financial affairs of the pension funds in its charge and to secure that one of its officers has the responsibility for the administration of those affairs. The Acting Executive Director of Resources serves as the Section 95 Officer for all of the Council's accounting arrangements, including those of the Lothian Pension Funds. For the Lothian Pension Funds, however, this Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund.
- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

The Statement of Accounts presents a true and fair view of the financial position of the Pension Funds as at 31 March 2016, and their income and expenditure for the year ended 31 March 2016.

COUNCILLOR ALASDAIR RANKIN
Pensions Committee Convener
27 June 2016

Statement of responsibilities for the Statement of Accounts

The responsibilities of the Chief Finance Officer, Lothian Pension Fund

The Chief Finance Officer, Lothian Pension Fund, is responsible for the preparation of the Pension Funds' statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code of Practice), is required to present a true and fair view of the financial position of the Pension Funds at the accounting date and their income and expenditure for the year (ended 31 March 2016).

In preparing this statement of accounts, the Chief Finance Officer, Lothian Pension Fund, has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Chief Finance Officer, Lothian Pension Fund, has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the Pension Funds as at 31 March 2016, and their income and expenditure for the year ended 31 March 2016.

JOHN BURNS, FCMA CGMA
Chief Finance Officer, Lothian Pension Fund
27 June 2016

Annual Governance Statement

Roles and responsibilities

The City of Edinburgh Council (the "Council") has statutory responsibility for the administration of the Local Government Pension Scheme (LGPS) in the Lothian area of Scotland. This responsibility is for three separate Funds: Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund (the "Pension Funds").

The main functions of the Administering Authority are administration of scheme benefits and the investment of the assets of the Funds. These functions are conducted in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972.

The role of Administering Authority is carried out via:

- The Pensions Committee and the Pensions Audit Sub-Committee.
- The Pension Board
- The Investment and Pensions Division of the Resources Directorate of the Council
- The Investment Strategy Panel
- LPFE Limited and LPFI Limited (not yet trading at 31/3/16), wholly owned subsidiaries of the Council

Further details on the above arrangements can be found in the Governance section of the Management Commentary towards the front of this document.

Scope of Responsibility

As the Administering Authority of the Funds, the City of Edinburgh Council is responsible for ensuring that its business, including that of the Funds, is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these overall responsibilities, elected members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Pensions Committee has delegated responsibility from Council for additional arrangements specific to the Pension Funds.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement explains how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Governance Statement

The Governance Framework

The Pension Funds operate within the wider governance framework of the Council to which is added arrangements specific to the Pension Funds themselves. The governance framework comprises the systems, processes, cultures and values by which the Pension Funds are directed and controlled. It also describes the way the Pension Funds engage with and account to stakeholders. It enables the Pension Funds to monitor the achievement of their objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework also applies to any subsidiary companies including LPFE Limited and LPFI Limited which are members of the Council's Group.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has a self assessment assurance process to support the Annual Governance Statement given by the Council each year in their Audited Annual Accounts. As part of this process, each Council Company is required to self assess the controls framework within their Company. The Chief Executive Officer of the Pension Funds reviewed the underlying controls framework and confirmed that no significant control problems or other matters existed that should prevent the signing of the Council's Annual Governance Statement.

The Council's Governance and Democratic Services manager reviewed the Evidence of Assurance provided by the Pension Funds and was satisfied with the effectiveness of the controls described. The annual assurance questionnaire process provides the Council's Chief Executive with a level of assurance on the adequacy of the governance arrangements in place within each of the Arms Length Companies for which the Council is the majority shareholder. The Council's Corporate Governance Framework meets the principles of effective governance.

The Funds place reliance upon the internal financial controls within the Council's financial systems and the monitoring in place to ensure the effectiveness of these controls. The relevant key elements of the Council's corporate governance framework, with specific additional reference as appropriate to the arrangements for the Funds, are set out below:

Elements of the governance framework specific to the Pension Funds include:

- Identifying the objectives of the Funds in the Funding Strategy Statement, Statement of Investment Principles and Service Plan.
- With effect from April 2015 the Pensions Regulator is responsible for setting standards of governance and administration for Local Government and other Public Sector pension schemes. The Pension Funds have taken steps to fully integrate compliance with these standards within the overall governance framework operated by the Funds.
- A systematic approach to monitoring service performance by the Pensions Committee, Pensions Audit Sub-Committee, senior officers and stakeholders, including the Pension Board and Independent Professional Observer.
- A structured programme to ensure that Pensions Committee members have the required standard of knowledge and understanding of Local Government Pension Scheme matters.
- Operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Funds' Statement of Investment Principles;
- Compliance with the CIPFA Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme.

Annual Governance Statement

- With the exception of managed funds, unlisted investments and property, all investments are held under custody by a global custodian. The Funds benefit from the custodian's extensive internal control framework.

- Benchmarking of services in terms of standards and cost against other pension funds.

Elements of the governance framework of the Council that are relevant to the Pension Funds include:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2016-2020.

- A performance management framework, incorporating internal and public performance reporting, which focuses on continuous improvement of our services, applying reliable improvement methods to ensure that services are consistently well designed based on the best evidence and are delivered on a right first time basis.

- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. Focused work is underway to further improve standards in buying practices and processes across the Council

- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Team, Governance, Risk and Best Value Committee and Council, and to the Pensions Committee and Pensions Audit Sub-Committee for all matters affecting the Funds, where appropriate, supports effective scrutiny and service improvement activities.

- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.

- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management and overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.

- The Acting Executive Director of Resources, as Section 95 Officer, has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control. For the Funds, the Section 95 officer responsibility has sub-delegated to the Chief Finance Officer, Lothian Pension Fund.

- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee, and for Pension Fund matters to the Pensions Committee and Pensions Audit Sub-Committee, on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.

- The Council's Governance and Democratic Services Manager, reporting to the Head of Strategy and Insight, has responsibility for advising the Council on corporate governance arrangements.

- The Governance, Risk and Best Value Committee, and for Pension Fund matters, the Pensions Committee and Pensions Audit Sub-Committee, provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. Also providing independent scrutiny of financial and non-financial performance, approving and monitoring the progress of the Internal Audit risk based plan, and monitoring performance of the internal audit service.

- The risk management policy and framework set out the responsibilities of elected members, Governance, Risk and Best Value Committee, and for Pension Fund matters, the Pensions Committee and Pensions Audit Sub-Committee, management and staff for the identification and management of risks to corporate and service related priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Group, which reviews Council-wide risk and reports to the Governance, Risk and Best Value Committee for scrutiny and challenge. For Pension Fund matters the Pensions Committee and Pensions Audit Sub-Committee are responsible for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of elected members salaries, allowances and expenses is published on the Council's website.
- The Council's Governance and Democratic Services Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members. For the Pension Funds, a policy on Committee and Board member training has been adopted.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.
- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations. An annual refresher exercise is undertaken for officers to confirm that they have read and understood the relevant policies.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to indentify and prioritise risks to the achievement of the Council's objectives, including those relevant to the Pension Funds. Following the establishment of the wholly-owned subsidiary companies, LPFE Limited and LPFI Limited, the Council continues to have appropriate assurance processes and procedures in relation to the responsible officers involved in the administration of the Pension Funds.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services Manager has reviewed the effectiveness of the Code and will report the result to the Governance, Risk and Best Value Committee.

Annual Governance Statement

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal and Risk (Interim) but had free access to the Chief Executive, all Executive directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee and Pensions Committee.

The Chief Internal Auditor has also provided an assurance statement to the Pensions Committee and Pensions Audit Sub-Committee on the effectiveness of the system of internal control. The opinion in the assurance statement states:

"Whilst Internal Audit have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Fund, based on our work performed in the year (set out below), the management recommendations that remain outstanding at the date of this report, and the work performed during the year over governance, risk management and controls at the City of Edinburgh Council, Internal Audit considers that there are some weaknesses in the framework of governance, risk management and controls which could potentially put the achievement of organisational objectives at risk if not addressed and there are instances of non-compliance with controls that, if not addressed, may put the achievement of organisational objectives at risk. We consider that addressing the matters identified will further enhance the adequacy and effectiveness of governance, risk management and control."

During the year the Internal Audit Section conducted three specific reviews of the internal controls operating within the Pension Funds. The first, review looked at systems for making one-off payments to members (including retirement lump sumps, death benefits and transfer payments). Two medium risk and three low risk findings were reported. At the date of preparation of this Statement all of these findings have been addressed with the exception of one of low risk. This relates to the level of checking of retirement quotations not being as rigorous as the checking applied to actual benefit payments. Procedures are being reviewed to address this risk.

The second review looked at the compliance of the Pension Funds with the LGPS Regulations. Two medium risk and two low risk findings were reported. At the date of preparation of this Statement all of these findings have been addressed with the exception of one of medium risk. This relates to the value of Scottish Homes Pension Fund investments held as a single insurance policy exceeding the threshold in the Regulations of 25%. This matter is currently being resolved with the external investment manager, so that the holdings are within the threshold. The third review considered the controls applied to externally managed investments. No risks were identified as a result of this review.

The assurance statement also refers to one finding from 2014/15, this relates to the performance of monthly contribution reconciliations and was originally due to be completed by 31 March 2015. Implementation has proved more difficult than was anticipated with some employer organisations and the completion date for this has been reset to 30 April 2016 with the agreement of the Pensions Committee. Under the revised Pension Administration Strategy, a fine will be levied on any employer failing to submit monthly contribution returns. Any such charge will be effective for the year 2016/17. The Chief Finance Officer of Lothian Pension Fund has assessed progress at 30 April 2016 and is happy that significant improvement has been achieved.

In compliance with standard accounting practice, the Acting Executive Director of Resources has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2016. It is the Acting Executive Director of Resources' opinion that "The system of control can provide reasonable, but not absolute, assurance that material control weaknesses or irregularities do not exist, and that there is no unacceptable risk of material error, loss, fraud or breach of legislation."

Annual Governance Statement

The Chief Finance Officer of Lothian Pension Fund has provided a statement of the effectiveness of the internal financial control system for the year ended 31st March 2016 for the Pension Funds. It is the Chief Finance Officer's opinion "that reasonable assurance can be placed upon the adequacy and effectiveness of the system of internal control for the Lothian Pension Find, Lothian Buses Pension Fund and Scottish Homes Pension Fund."

Certification

It is our opinion, in light of the foregoing, that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operate within the Group in its administration of the Funds. We consider the governance and internal control environment operating during the financial year from 1 April 2015 to 31 March 2016 to provide reasonable and objective assurance that any significant risks impacting on the Group and its ability to achieve its objectives in properly administering the Funds have and will continue to be identified and actions have and will be taken to avoid or mitigate the impact of any such risks.

Where areas for improvement have been identified and action plans agreed, we will ensure that they are treated as priority and progress towards implementation is reviewed through the governance structures and processes established for the Group and summarised herein. We will continue to review and enhance, as necessary, our governance arrangements.

COUNCILLOR ALASDAIR RANKIN
Pensions Committee Convener
27 June 2016

ANDREW KERR
Chief Executive of the City of Edinburgh Council
27 June 2016

HUGH DUNN
Acting Executive Director of Resources of the City of Edinburgh Council
27 June 2016

CLARE SCOTT
Chief Executive Officer of the Lothian Pension Fund
27 June 2016

Governance Compliance Statement

The Regulations that govern the management of Local Government Pension Scheme in Scotland require that a Governance Compliance Statement is published. This statement sets out the extent to which governance arrangements comply with best practice.

The statement below discusses arrangements at 31 March 2016, prior to the introduction of new governance arrangements on 1 April 2016. Please also see the How the Fund works section for an overview of the changes implemented.

Principle		Full Compliance	Comments
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	Yes	The City of Edinburgh Council acts as administering authority and delegates all pension scheme matters to a committee of seven members (Pensions Committee) made up as follows: - Five City of Edinburgh elected members - Two external members - one drawn from the membership of the fund and one drawn from the employers that participate in the funds.
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes	The Pensions Committee includes two external places for pension fund stakeholders i.e. one each from the employer and member representatives. Fund members and employers are also represented within Lothian Pension Funds' Pension Board. Membership includes five employer representatives and five member representatives. All members of the Pension Board are invited to attend the meeting of the Pensions Committee and receive the relevant papers prior to those meetings. Two members of the Pension Board attend the Pensions Audit Sub Committee.
	That where a secondary committee or board has been established, the structure ensures effective communication across both levels.	Yes	The Pensions Audit Sub-Committee, consisting of three members of the Pensions Committee, report to the Pensions Committee on their findings and recommendations. Two members of the Pension Board attend the Pensions Audit Sub-Committee in a non-voting capacity. The Pension Board attends the Pensions Committee meetings and takes part in training events. Implementation of investment strategy is delegated to the Executive Director of Resources, who takes advice from the Investment Strategy Panel. The Panel meets quarterly and reports to the Pensions Committee annually.

Governance Compliance Statement

Principle		Full Compliance	Comments
Structure (cont'd)		Yes	The Investment Strategy Panel consists of the Executive Director of Resources, Chief Executive of the Lothian Pension Fund, Chief Finance Officer, Chief Investment Officer and three experienced external industry advisers.
Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include employing authorities (including non-scheme employers, e.g. admitted bodies) and scheme members (including deferred and pensioner scheme members).	Yes	The Pension Board consists of a mix of representatives: - Five employer representatives from non-administering authority employers; - Five member representatives appointed by the Trade Unions in accordance with the approach required under Scottish statute.
	Where appropriate, independent professional observers, and expert advisors (on an ad-hoc basis).	Yes	An Independent Professional Observer was appointed in March 2013 to help Committee scrutinise advice. Three external investment advisers sit on the Investment Strategy Panel. A separate specialist Pensions Audit Sub-Committee consisting of three members (including at least two elected members from the City of Edinburgh Council) undertake the audit scrutiny of the pension funds.
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	The Pension Board attends the Pensions Committee meetings to help ensure that the operation of the pension funds is in accordance with the applicable law and regulation. The Pension Board takes part in all Committee training events. The Pensions Committee takes account of the views of the Pension Board when making decisions.

Governance Compliance Statement

Principle		Full Compliance	Comments
Selection and Role of Lay Members	That committee or board members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.	Yes	A comprehensive training programme including induction is in place. Members of the Pensions Committee and Pension Board are expected to attend no less than three days of training (21 hours) per year. The non-elected members confirm that they have read, signed and will abide by a Code of Conduct (specifically tailored for the Committee and Board) prior to their appointment to the Pensions Committee and Pension Board. The elected members are required to read, sign and abide by the Councillors' Code of Conduct.
	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	The declaration of members' interests is a standard item on the agenda for meetings of the Pensions Committee, Pensions Audit Sub-Committee and Pension Board. A Code of Conduct also applies to all members of the Pensions Committee and the Pension Board.
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	Five of the seven places of the Pensions Committee are held by elected members of the City of Edinburgh Council, which is required to retain a 2/3 majority in line with the Local Government (Scotland) Act 1973. The Nomination and Appointments Policy of the Lothian Pension Fund, available on the Fund's website, clearly documents how employer and member representatives will be elected to the Pensions Committee and Pension Board.
Training / Facility Time / Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	Yes	A Training and Attendance Policy is in place covering training requirements and reimbursement of expenses. The policy is available on the Fund's website www.lpf.org.uk
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	The Training and Attendance Policy applies to both the Pensions Committee and the Pension Board. Advisers have their own professional development obligations.

Governance Compliance Statement

Principle		Full Compliance	Comments
Training / Facility Time / Expenses (cont)	c) That the administering authority considers the adoption of annual training plans for committee and board members and maintains a log of all such training.	Yes	Each Pensions Committee and Pension Board member is expected to attend no less than three days training per year (21 hours) per year. Attendance at meetings and training is monitored and reported.
Meetings frequency	a) That an administering authority's main committee or committees meet at least quarterly.	Yes	The Pensions Committee meets at least four times a year.
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committees sits.	Yes	The Pension Board attends all the Pensions Committee meetings and separately meets in advance of each such meetings. Further meetings are held if necessary. The Pensions Audit Sub-Committee is held before the Pensions Committee at least three times a year with further meetings held if necessary. The Investment Strategy Panel meets quarterly or more frequently as required.
	c) That an administering authority who does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	
Access	That subject to any rules in the council's constitution, all members of main and secondary committees or boards have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	Committee papers and minutes are publicly available on the Council's website and all Committee and Pension Board members have equal access, receiving electronic copies and/or paper copies suitable to their own circumstances.

Governance Compliance Statement

Principle		Full Compliance	Comments
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Yes	The Pensions Committee deals with all matters relating to both the administration and investment of the Funds. A separate specialist Pensions Audit Sub-Committee consisting of three members (including at least two elected members from the City of Edinburgh Council) undertake the audit scrutiny of the pension funds. The Convener of the Pensions Committee is also a member of the National Scheme Advisory Board which considers matters on a national level.
Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	Pensions Committee The City of Edinburgh Council is responsible for the appointment of non elected members to the Pensions Committee. Where required to fill a vacancy, employer bodies that participate in the funds are invited to nominate a suitable representative to be considered for the Pensions Committee. Where required to fill a vacancy, the members of the funds will be invited to nominate themselves to be considered for selection for the Pensions Committee. Pension Board Where required to fill a vacancy or vacancies, employer bodies are invited to nominate suitable representative(s). Similarly trade union representatives are asked to invite nominations, elect and put forward suitable individuals for appointment as Employee Member(s) to the Pension Board. Governance documents, policies and details of Pension Board membership are on the Fund's website. The Fund also communicates regularly with employers and scheme members.

Additional information

Key documents online

You can find further information on what we do and how we do it, on our website at www.lpf.org.uk/policy

- Actuarial Valuation reports
- Pension Board constitution
- Annual Report and Accounts
- Statement of Investment Principles
- Pension Administration Strategy
- Communications strategy
- Funding Strategy Statement
- Service Plan
- Training and attendance policy

Fund advisers

Actuaries:	Hymans Robertson LLP
Auditor:	David McConnell, Assistant Director of Audit, Audit Scotland
Bankers:	Royal Bank of Scotland
Investment consultancy:	KPMG LLP, Gordon Bagot and Scott Jamieson
Investment custodians:	The Northern Trust Company
Investment managers:	Details can be found in the notes to the accounts.
Additional Voluntary Contributions (AVC) managers:	Standard Life and Prudential
Property valuations:	CB Richard Ellis Ltd
Solicitors:	Dedicated in-house resource

Comments and suggestions

We appreciate your comments and suggestions on this report. Please let us know which sections you found useful and if you have any suggestions for items to be included in the future. Please email your comments to pensions@lpf.org.uk

Accessibility

You can get this document on tape, in Braille, large print and various computer formats if you ask us. Please contact the Interpretation and Translation Service (ITS) on 0131 242 8181 and quote reference number 00819. The ITS can also give information on community language translations.

Contact details

If you would like further information about Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Home Pension Fund, please contact us.

Email: pensions@lpf.org.uk
Telephone: 0131 529 4638
Web: www.lpf.org.uk
Fax: 0131 529 6229

Address: Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh EH3 8EX

LOTHIAN PENSION FUND

Pensions Committee

Appendix 2

2.00 p.m., Monday, 27 June 2016

Internal Audit Annual Report and Opinion for the Year Ended 31 March 2016

Item number	
Report number	
Executive/routine	
Wards	

Executive summary

This report provides the Internal Audit Annual Report and Opinion based on Internal Audit activity undertaken for the financial year ended 31 March 2016.

This report details the scope of internal audit, the opinion for the year ended 31 March 2016 and a note on the role and limitations of internal audit. This report is prepared per the requirement set out in the Public Sector Internal Audit Standards (PSIAS).

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	All

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Internal Audit Annual Report for the Year Ended 31 March 2016

Recommendations

1.1 It is recommended that the Committee note the internal audit opinion for the year ended 31 March 2016.

Background

2.1 The Public Sector Internal Audit Standards (PSIAS) requires that the Chief Internal Auditor delivers an annual opinion to the Pensions Committee that can be used to inform the organisation's Annual Governance Statement. The purpose of this report is to present Internal Audit's opinion on the overall adequacy and effectiveness of the Lothian Pension Fund's framework of governance, risk management and controls, as relevant to our internal audit work performed for the financial year 1 April 2015 to 31 March 2016.

2.2 Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Pension Committee should look to gain assurance. This report does not supplant the Pensions Committee's responsibility for forming their own view on governance, risk management and control.

Main report

Opinion

3.1 Whilst Internal Audit have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Fund, based on our work performed in the year (set out below), the management recommendations that remain outstanding at the date of this report, and the work performed during the year over governance, risk management and controls at the City of Edinburgh Council, Internal Audit considers that there are some weaknesses in the framework of governance, risk management and controls which could potentially put the achievement of organisational objectives at risk if not addressed and there are instances of non-compliance with controls that, if not addressed, may put the achievement of organisational objectives at risk. We consider that addressing the matters identified will further enhance the adequacy and effectiveness of governance, risk management and control.

3.2 This opinion is subject to the inherent limitations of internal audit (covering both the controls environment and the assurance over controls) as set out in Appendix 1.

Basis of opinion

3.3 Our opinion is based solely on our assessment of whether the governance, risk management and controls in place support the achievement of the Fund's objectives.

3.4 We have conducted three specific Pension Fund Reviews during the year;

	Findings		
Review	High	Medium	Low
Immediate Payments	-	2	3
Pension Compliance	-	2	2
Externally managed investments	-	-	-
Total 15/16	**-**	**4**	**5**
Total 14/15 (2 reports)	*-*	*3*	*-*

For all completed internal audit reviews, finalised action plans have been agreed with management for the recommendations made. Completion of these recommendations will assist with improvement to the Fund's governance, risk management and internal control framework.

3.7 The total number of Internal Audit recommendations that remain unresolved is set out below:

	Findings		
Review	High	Medium	Low
Immediate Payments	-	-	1*
Pension Compliance	-	1**	-
Pensions Administration (2014/15 audit)		1***	-
Total	**-**	**2**	**1**
Total 14/15	*-*	*1*	*1*

* This finding has not yet reached its agreed implementation date and is not overdue.

** This finding relates to the Scottish Homes Fund, which at the time of audit held 59% of the total fund value in a single insurance contract with State Street. This is a breach of the Local Government Pension Scheme investment limits. A revised legal agreement, restructuring the investment to ensure compliance has been received from State Street. This is now being reviewed by the Chief Legal and Risk Officer prior to signature. This action was originally due for completion by 31 March 2016.

*** This finding relates to the performance of monthly contribution reconciliations and was originally due to be completed by 31 March 2015.

Implementation has proved more difficult than was anticipated with some employer organisations and the completion date for this has been reset to 30 April 2016 with the agreement of the Pensions Committee. Under the revised Pension Administration Strategy, a fine will be levied on any employer failing to submit monthly contribution returns. Any such charge will be effective for the year 2016/17, the first payment (and monthly contribution return) for April 2016 being due by 19 May 2016.

3.8 We have considered the effect of any changes in the Fund's systems & objectives as well as the level of resources available to Internal Audit. Given the Fund's dependence on the City of Edinburgh Council for a number of support services, we have also considered the results of the work that we performed on the governance, risk management and internal control framework in place at the City of Edinburgh Council. Our opinion and findings are set out in the report to the City of Edinburgh Council , Governance, Risk & Best Value Committee on 23 June 2016, entitled *'Internal Audit Annual Report and Opinion for the Year Ended 31 March 2016'.*

Conformance with Public Sector Internal Audit Standards

3.8 The Public Sector Internal Audit Standards (PSIAS) require us to report annually on conformance. Adoption of the PSIAS is mandatory for UK public sector organisations and they provide a coherent and consistent internal audit framework for the whole of the public sector.

3.9 The Chartered Institute of Public Finance & Accountancy (CIPFA) has prepared a Local Government Application Note and a Checklist for Assessing Conformance with the PSIAS in order to allow internal audit teams to evaluate the effectiveness of Internal Audit's performance. The Checklist, which contains 334 best practice questions, was completed in Q4 2015 as part of the Internal Audit team's quality programme.

3.10 The review identified one substantive areas of non-compliance with the PSIAS that is relevant to Internal Audit's activities in connection with the Fund.

Area of Non-compliance	*Explanation*
The Internal Audit team had not evaluated the Risk function and Risk Management processes within the Council.	The structure that the Council traditionally delivered Risk & Internal Audit Services resulted in the Internal Audit function not being sufficiently independent to evaluate the Risk function. During 2015/16, the Internal Audit function has moved towards greater autonomy as part of the transformation process and we now consider that we have reached a position where we are sufficiently independent to conduct a review of the Risk function.

	As a result our internal audit plan for 2016/17 includes for the first time, a review of the activities & operation of the Risk function and the outcome of this will be reported to the Governance, Risk and Best Value Committee in the normal manner.

Quality Assurance and Improvement Programme

3.11 The PSIAS require an ongoing quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity, and that the results of this programme are included in the Internal Audit annual report. The QAIP must include both annual internal assessments and external assessments at least every 5 years.

3.12 Internal Assessments must include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity, and is incorporated in the routine policies and practices used to manage the internal audit activity. All work is reviewed by qualified staff prior to being issued to ensure it is of sufficient quality and complies with the methodology set out in the Internal Audit Manual.

3.13 The requirement for the periodic self-assessment is met by;

- An annual self review of compliance with the PSIAS via reviewing our conformance with the CIPFA Local Government Application Note and Checklist;
- Analysis of Internal Audit KPI trends;
- Analysis of feedback received from clients on completed reviews to identify any trends emerging; and
- The completion of quality review checklists on a sample of reviews to ensure that they comply with the Audit Manual. These reviews will be undertaken by a team member independent of the reviews.

3.14 External assessments must be performed every 5 years with the current long-stop date being 31 March 2018. It is currently envisaged that we will take part in the External Quality Assessment (EQA) process of peer reviews that has being facilitated by the Scottish Local Authorities Chief Internal Auditors Group.

3.15 Our initial external assessment under this process is provisionally timetabled for the final quarter of 2016/17. The scope of this assessment will be agreed with the Convenor of the Governance, Risk & Best Value Committee and the external assessor prior to work commencing.

3.16 For detailed analysis of Internal Audit's KPI trends and the results of the internal quality reviews, please refer to our report to the City of Edinburgh Council Governance, Risk & Best Value Committee on 23 June 2016, entitled *'Internal Audit Annual Report and Opinion for the Year Ended 31 March 2016'.*

Measures of success

4.1 Effective governance, risk management and internal control within the Lothian Pension Fund.

Financial impact

5.1 No direct financial impact.

Risk, policy, compliance and governance impact

6.1 No direct impact.

Equalities impact

7.1 No direct impact.

Sustainability impact

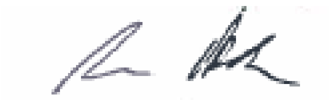
8.1 No direct impact.

Consultation and engagement

9.1 None.

Background reading/external references

10.1 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector.



Magnus Aitken
Chief Internal Auditor

E-mail:magnus.aitken@edinburgh.gov.uk | Tel: 0131 469 3143

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	All

Appendix 1 – Limitations and responsibilities of internal audit and management responsibilities

Limitations and responsibilities of internal audit

The opinion is based solely on the internal audit work performed for the financial year 1 April 2015 to 31 March 2016. The work addressed the Terms of Reference agreed for each individual internal audit assignment as set out in the individual assignment reports. However, where other matters have come to the attention of Internal Audit which is considered relevant, they have been taken into account when forming the opinion.

There might be additional weaknesses in the system of internal control that were not identified because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to Internal Audit's attention. As a consequence Management and the Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to the Fund is for the year ended 31 March 2016. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Audit

It is Management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for Management's responsibilities for the design and operation of these systems.

Internal Audit endeavour to plan its work so that it has a reasonable expectation of detecting significant control weaknesses and, if detected, it carries out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and examinations by internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 3

The City of Edinburgh Council

Statement on the system of internal financial control

1. This statement is given in respect of the internal financial controls operated by The City of Edinburgh Council. As the Council's designated section 95 officer as defined under the provisions of the Local Government (Scotland) Act 1973, I acknowledge my responsibility for ensuring that an effective system of internal financial control is put in place and its effectiveness regularly reviewed.

2. The system of control can provide reasonable, but not absolute, assurance that material control weaknesses or irregularities do not exist, and that there is no unacceptable risk of material error, loss, fraud or breach of legislation. Consequently, the Council continually seeks to improve the effectiveness of its systems of internal control so that irregularities are either prevented or detected within an acceptable period of time. Tracking of agreed audit actions forms a standing item on the Resources Senior Management Team agenda, with progress also regularly reported to the Governance, Risk and Best Value Committee. The effectiveness of the Council's internal financial control framework as a whole is subject to annual review by Audit Scotland, with the principal findings of the most recent annual assessment reported to the Governance, Risk and Best Value Committee in August 2015.

3. The system of internal financial control is based on a framework of regular management information, financial rules and regulations, administrative procedures (including segregation of duties), management supervision and a scheme of delegation and accountability. The system is maintained and developed by Council management and includes:

   - comprehensive budgeting systems;
   - preparation and regular review of periodic reports that measure actual financial performance against forecasts. For 2015/16, the effectiveness and regularity of this review was enhanced through more systematic monitoring and scrutiny of the delivery of approved savings and management of risks and budget pressures by the Corporate Leadership Team (CLT) and elected members. This rigour has again been applied to 2016/17's savings, both prior to and following Council approval, highlighting a need for mitigating actions in some areas;
   - agreement of targets against which financial and operational performance can be assessed;
   - clearly-defined capital expenditure guidelines communicated to services and set out in the Finance Rules. These Rules, alongside the Financial Regulations, were fully updated during the year;
   - an approved long-term financial strategy and plan, updates in respect of which are regularly discussed at the CLT and reported to the Finance and Resources Committee;
   - formal project management disciplines as supported and promoted by the Corporate Programmes Office (and now the wider Transformation Programme), including senior Finance representation on all major project boards and assurance review panels; and
   - formal governance arrangements operated within both subsidiary and associated companies.

4. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's United Kingdom Public Sector Internal Audit Standards. The Section undertakes an annual programme based on an agreed audit strategy. The plan is based on formal assessments of risk and audit needs which are reviewed regularly to reflect evolving risks and changes within the Council. During 2015/16, the section reported to the Head of Legal, Risk and Compliance until January 2016 and thereafter to the Acting Head of Legal and Risk. However, it also has free access to the Chief Executive, Executive Directors, Heads of Service (including the Head of Finance) and elected members of the Council when required. The Chief Risk Officer has provided an assurance statement that includes his opinion on the adequacy and effectiveness of the system of internal financial control.

5. My review of the effectiveness of the internal financial control system is informed by:

   - assurance certificates on internal control received from all Executive Directors of Council service areas;
   - governance arrangements in place for subsidiary and associated companies and an ongoing assessment of the effectiveness of these arrangements;
   - the work of managers within the Council;
   - the work of internal audit; and
   - external audit reports, in particular the independent annual report on the Council's financial statements and internal control framework.

6. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework, an opinion confirmed by Audit Scotland as part of the 2014/15 financial statements audit. Having reviewed the framework, it is therefore my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal control.

7. I have overseen the improvements put in place in response to recommendations made by internal and external audit work during the year. This said, the extent of change underpinning the Council's Transformation Programme reinforces the importance of robust, documented and well-understood procedures and a key priority in 2016/17 will be to ensure that required financial savings are not achieved to the detriment of the internal control framework. I have therefore already worked closely, for example, with internal audit in developing improved financial reporting procedures, including greater transparency of the delivery of savings and management of risks and pressures. In the case of Health and Social Care, appropriate due diligence arrangements have also been put in place with regard to the Council's financial offer to the Integrated Joint Board.

8. I have furthermore overseen work consolidating the Council's long-term financial planning arrangements, recognising the need to keep these matters under regular review. While a balanced overall position against the Council's budget was again delivered in 2015/16, significant pressures were nonetheless apparent, particularly in Health and Social Care. These pressures were addressed through identification of corresponding savings across other service and corporate areas. Formal incorporation within the budget framework of additional investment in both Health and Social Care and Corporate Property gives the potential for these to be addressed on a sustainable basis. Crucial to this sustainability, however, is the delivery of an unprecedented level of savings in 2016/17 and these will be subject to on-going monthly monitoring and discussion at CLT and regular scrutiny by elected members, particularly via the planned series of Budget Challenge meetings.

Hugh Dunn

Hugh Dunn
Acting Executive Director of Resources
23 May 2016

Annual Report 2016 of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund

"Statement on the system of internal financial control for the year ended 31 March 2016"

Section 95 of the Local Government (Scotland) Act 1973 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs". The Acting Executive Director of Resources serves as the Section 95 Officer for all of the Council's accounting arrangements, including those of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund. For the Pension Funds, however, this Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund.

In compliance with standard accounting practice, the Chief Finance Officer, Lothian Pension Fund, is required to provide the Chief Executive with a statement of the effectiveness of the internal financial control system of the Funds for the year ended 31 March 2016.

The Funds place reliance upon the internal financial controls within the City of Edinburgh Council's financial systems and the monitoring in place to ensure the effectiveness of these controls. Accordingly, the "Statement on the system of internal financial control" by Hugh Dunn, Acting Executive Director of Resources, City of Edinburgh Council, dated 23 May 2016, refers.

Within this overall control framework, specific arrangements for the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund are detailed in the Annual Governance Statement. These include:

- identifying the objectives of the Funds in Funding Strategy Statement, Statement of Investment Principles and Service Plan;
- monitoring of the achievement of objectives by the Pensions Committee, Pensions Audit Sub-Committee and senior officers;
- the Chief Legal and Risk Officer, Lothian Pension Fund, reports on any non-compliance with laws and regulations, with a detailed compliance framework covering key activities;
- a risk management policy, including a regularly reviewed risk register, serves to manage risk to the Funds appropriately;
- codes of conduct for elected members, members of the Pensions Board and officers;
- a structured programme to ensure that both Committee and Pension Board members have the required standard of knowledge and understanding of Local Government Pension Scheme matters;
- operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Funds' Statements of Investment Principles;
- compliance with the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme;

- with the exception of managed funds, unlisted investments and property, all investments are held under custody by a global custodian. The Funds benefit from the custodian's extensive internal control framework;
- benchmarking of services in terms of quality and cost against other Local Government Pension Scheme funds.

The Chief Internal Auditor has provided an "Internal Audit Annual Report and Opinion for the year ended 31 March 2016", in accordance with the requirement set out in the Public Sector Internal Audit Standards.

In light of the above, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the system of internal financial control for the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

JM Burns

John Burns, FCMA, CGMA
Chief Finance Officer,
Lothian Pension Fund

26 May 2016

City of Edinburgh Council

10.00am, Thursday, 30 June 2016

The City of Edinburgh Council Charitable Trusts – Unaudited Trustee's Annual Report and Accounts 2015/16

Item number	8.5
Report number	
Executive/routine	
Wards	

Executive summary

The report presents the Charitable Trusts Unaudited Trustee's Annual Report and Accounts for 2015/16. These statements present the financial position and performance of the Charitable Trusts for the year to 31 March 2016.

The unaudited Charitable Trusts financial statements will be issued to the External Auditor by 30 June 2016.

The Charitable Trusts UK equities and Global equities are held with the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund which is to be wound up on the 30 June 2016. As a result, Council is asked to delegate authority to the Acting Executive Director of Resources to review and implement new investment arrangements.

Links

Coalition pledges P31, P42

Council outcomes CO6, C10

Single Outcome Agreement SO2, SO3

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

The City of Edinburgh Council Charitable Trusts – Unaudited Trustee's Report and Accounts 2015/16

Recommendations

1.1 It is recommended that the Council:

1.1.1 notes the unaudited Trustee's Annual Report and Accounts for 2015/16 will be submitted to the External Auditor by 30 June 2016;

1.1.2 notes the audited Trustee's Annual Report and Accounts will be submitted to Finance and Resources Committee at the conclusion of the audit in September 2016 and the auditor's report will be submitted to Governance, Risk and Best Value Committee in September 2016 and thereafter to Council in October 2016; and

1.1.3 agrees to delegate authority to the Acting Executive Director of Resources for the Charitable Trusts investments to be reinvested in a suitable fund, as outlined in paragraphs 3.6 to 3.9.

Background

2.1 This purpose of this report is to present the unaudited Trustee's Annual Report and Accounts for 2015/16 for Council's consideration.

2.2 The Charitable Trusts Trustee's Annual Report and Accounts, shown in Appendix 1, have been completed in accordance with proper accounting practices and are being presented to Council prior to submission to the external auditor by 30 June, as required by the Local Authority Accounts (Scotland) Regulations 2014.

2.3 The Council, as the trustee, has overall responsibility for ensuring that:

- there are appropriate systems of control;
- proper accounting records are maintained which disclose the financial position of the charities;
- assets of the charities are safeguarded against unauthorised use or disposition;
- reasonable steps for the prevention and detection of fraud are taken and;
- reasonable assurances are provided that the charities are operating efficiently and effectively.

Main report

3.1 The Unaudited Financial Statements for the City of Edinburgh Council Charitable Trusts are shown in Appendix 1.

Objectives and Activities

3.2 At the year end the Council acted as sole trustee for a total of seven trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). These Trusts were:

- Jean Fletcher Watson with the purpose of purchasing works of art by artists who have connections with Edinburgh.
- Edinburgh Education Trust with the purpose of funding activities to support looked after children and school prizes.
- Nelson Halls Trust with the purpose of providing reading rooms for those who require them, in the four Nelson Halls in Edinburgh.
- George Boyd Anderson with the purpose of provision of outdoor education and skiing opportunities.
- Usher Hall Conservation Appeal with the purpose of funding renovation of the Usher Hall.
- Lauriston Castle Trust with the purpose of making the artefacts and buildings available to be viewed by the public.
- The Royal Scots (The Royal Regiment) Monument Trust Fund with the purpose of maintenance of the Royal Scots Monument.

Achievements and Performance

3.3 The significant events and developments during the financial year included;

The Edinburgh Education Trust provided £13,000 to contribute to a range of activities for looked after children and school prizes.

At the January 2016 Finance and Resources Committee, it was agreed that £66,000 of the Boyd Anderson funds will be used to build a modular log cabin type classroom and storage space at Lagganlia. The remaining £54,000 had already been earmarked for the ski centre at Hillend.

Jean F. Watson purchased 'The Crags at Dawn' for £3,500, with 50% of the purchase cost received from the National Fund for Acquisitions, administered by the National Museums of Scotland.

Plans for the Future Period

3.4 Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Conservation Appeal Trusts.

3.5 An external revaluation of the Lauriston Castle collection was undertaken in 2015/16 but the final figures were not available for inclusion within the accounts.

3.6 Letters dated 1 April 2016 were received to notify Trustees that the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund are to be wound up with the funds liquidated as at 30 June 2016 and this paid out on 6 July 2016 to the relevant Charitable Trusts. Therefore plans will need to be in place to reinvest this money to ensure that investment income in the 2016/17 financial year is not adversely impacted.

3.7 It is therefore recommended that delegated authority is granted to the Acting Executive Director of Resources so that the monies paid out on 6 July 2016 can be reinvested to ensure that investment returns in 2016/17 are not significantly reduced.

3.8 The review will take place before the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund makes its capital repayment. In the event that it is not possible to identify and put in place an ideal solution before the capital is repaid, the proceeds will be held in cash pending reinvestment.

3.9 The Acting Executive Director of Resources will report the new investment arrangements to Finance and Resources Committee in September 2016.

Measures of success

4.1 The Charitable Trusts receive an unqualified audit certificate from the External Auditor by 30 September 2016.

Financial impact

5.1 There is no direct financial impact of the report's contents.

Risk, policy, compliance and governance impact

6.1 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.

Equalities impact

7.1 No full ERIA is required.

Sustainability impact

8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

Consultation and engagement

9.1 The financial statements will be made available for public inspection from 1 July 2016 for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received no requests for further information under these Regulations.

Background reading/external references

Boyd Anderson Funds

Hugh Dunn

Acting Executive Director of Resources

Contact: Catrina Montgomery, Senior Accountant

E-mail: catrina.montgomery@edinburgh.gov.uk | Tel: 0131 469 3497

Links

Coalition pledges	P31 – Maintain our city's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure. P42 – Continue to support and invest in our sporting infrastructure.
Council outcomes	CO6 – Our children's and young people's outcomes are not undermined by poverty and inequality. C10 – Improved health and reduced inequalities.
Single Outcome Agreement	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
Appendices	Appendix 1 – Unaudited Trustee's Annual Report and Accounts for the year ended 31 March 2016

The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2016

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the Finance and Resources Committee and now has delegated responsibility from Council to act in the role of trustee of its charities.

In addition to the above a separate Committee exists to manage the Jean F. Watson Bequest Art Collection. The Committee on the Jean F. Watson Bequest has the following delegated authority: "With monies from the Jean F. Watson Bequest, to purchase and commission for the City's collection, works of artists and craftspeople born, practising in, or otherwise associated with Scotland, and in particular Edinburgh; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries."

Registered Office

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Auditor

David McConnell, MA, CPFA
Assistant Director of Audit
Audit Scotland
The Athenaeum Building
4th Floor, South Suite
8 Nelson Mandela Place
Glasgow
G2 1BT

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Investment Managers

Allianz Global Investors Europe Gmbh
UK Branch
PO Box 9031
Chelmsford
CM99 2WN

M&G Charities
PO Box 9038
Chelmsford
CM99 2XF

Trustee's Annual Report 2015/16

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2016. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), commonly referred to as the SORP.

Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committees of the Council which are involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity trustees. Risk management is covered as part of the Council's general risk management procedures.

All major decisions relating to the strategic operation of the Trusts are undertaken by the Finance and Resources Commitee. There is also a dedicated Jean F. Watson Committee which meets to discuss the finances and make decisions on art acquisitions. The Childrens Panel meets to approve funding for the Edinburgh Education Trust.

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of seven trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of all the charities can be found on page 3 of this report and in the accounts.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

Responsibilities of the Trustee

Charity law requires charity trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls, financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.
3. Safeguarding the assets of the charities.
4. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
5. Providing reasonable assurance that:
    - the charities are operating efficiently and effectively;
    - the charitable assets are safeguarded against unauthorised use or disposition;
    - proper records are maintained and financial information used by the charities is reliable;
    - the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity trustee;
2. Regular consideration by the charity trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties;
4. Identification and management of risks.

Exemptions From Disclosure

None.

Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2015/16
Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2016 are as follows:

Official Name *(Name Used in Accounts)*	**Scottish Charity Registration Number**	**Purpose**	**Market Value at 31/3/16 £'000**
Jean Fletcher Watson *(Jean F. Watson)*	**SC018971**	The purchase of works of art by artists who have connections with the city	**6,173**
Edinburgh Education Trust *(Edinburgh Education Trust)*	**SC042754**	To fund activities to support Looked after Children and school prizes	**852**
Nelson Halls Trust *(Nelson Halls)*	**SC018946**	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	**214**
George Boyd Anderson *(Boyd Anderson)*	**SC025067**	Provision of outdoor education and skiing opportunities	**118**
Usher Hall Conservation Appeal *(Usher Hall)*	**SC030180**	Raise funds for the renovation of the Usher Hall	**68**
Lauriston Castle Trust *(Lauriston Castle)*	**SC020737**	To make the artefacts and buildings available to be viewed by the public	**7,039**
The Royal Scots (The Royal Regiment) Monument Trust Fund *(The Royal Scots Trust)*	**SC018945**	Maintenance of the Royal Scots Monument	**30**
Total			**14,494**

The Catherine Cowper Trust is not included in the accounts as it is not a registered charity.

The main activities undertaken in relation to the Trusts' purposes are outlined below;
Jean F. Watson purchased 'The Crags at Dawn' by Catharine Davison during the financial year. Two additional planned purchases will be progressed throughout the next financial year, with these expected to take around a year to finalise.

The Edinburgh Education Trust funded £11,021 of activities for looked after children and £1,668 of school prizes. An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner than had been the case previously.

The Nelson Halls are open to the public as part of the libraries and community centres they are attached to.

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds will be used to build a modular log cabin type classroom and storage space at Lagganlia. The remaining £54,000 has already been earmarked for the ski centre at Hillend.

It is currently proposed that the Usher Hall funds will be used to purchase a new Steinway grand piano when a replacement becomes required.

The Lauriston Castle is open to the public with the interest received in 2015/16 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2015/16 was used to cover some of the running costs.

Achievements and Performance

To assist Jean F. Watson in the purchase of 'The Crags at Dawn', £1,750 (50% of the purchase cost) was received from the National Fund for Acquisitions administered by the National Museums of Scotland.

An external valuation by Art & Antiques Appraisals Ltd is nearing completion at the Lauriston Castle but the valuation was not available in time for inclusion in the 2015/16 Trustee's Annual Report and Accounts.

There was no material expenditure incurred by any of the Trusts in 2015/16 to raise income in future periods.

Trustee's Annual Report 2015/16
Achievements and Performance - continued

Financial Investments Performance

With regard to the performance to the year ended 31 December 2015, the Chariguard UK Equities Fund was just below the benchmark. The fund returned 1.90% compared to the benchmark of 1.98%. This is consistent with the Fund's index-tracking objectives. The performance of the Chariguard Overseas Equities Fund was below its benchmark, as it returned 1.12% compared to the benchmark of 2.05%.

Performance information for 12 months to 2 November 2015 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 3.1% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 5.5% over the same period. The reasons for the fund's underperformance were its defensive positioning and corporate bond holdings. Charibond's distribution yield on 2 November 2015 was 5.3% compared to the FTSE British Government All Stocks Index Yield of 2.3%, however, based on the Charibond's share price at 2 November 2015, this distribution yield will reduce to 3.7% next year.

The current allocation against the target allocation is outlined in the table below;

Asset Allocation		
	Current	Target
Fixed Interest	22%	25%
UK Equities	36%	37.50%
Global Equities	42%	37.50%
Total	100%	100%

The objective for each fund is to match the performance of its respective benchmark index. The Chariguard UK Equity Fund is benchmarked against the FTSE All-Share Index, the Chariguard Overseas Fund is benchmarked against the FTSE World Index ex UK (adjusted) and the Charibond Fixed Interest Fund is benchmarked against the FTSE British Government All-Stocks Index.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2016. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand.

The Statement of Financial Activities shows the total income to be £56,000 in 2015/16. (2014/15 £64,000). This decrease in income compared to the previous year is due to the transfer of the Surplus Fire Fund (SFF) to Edinburgh Voluntary Organisation Trust (EVOT) during the 2014/15 financial year. Excluding the SFF income for 2014/15 would have resulted in £55,000 of income, therefore there has been a £1,000 increase when comparing like-for-like year-on-year income. This is due to the £1,750 grant received for purchasing art and stable although slightly underperforming investment returns.

The expenditure in the year is lower than last year at £37,000 compared to £1,311,000, however, when excluding the SFF again, the figure for comparison is £19,000. This actual like-for-like increase of £18,000 is as a result of £11,000 greater spend by the Edinburgh Education Trust on activities for looked after children and school prizes. Governance costs are £4,000 higher in 2015/16 as a result of the Audit Fee (£4,250) being charged directly to the Trusts. The purchase of 'The Crags at Dawn' represents another £3,500 of additional expenditure in 2015/16, with the remainder representing small sums across the other Trusts. An analysis of expenditure is detailed in Note 3, with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

The final movement in the Statement of Financial Activities relates to the unrealised losses on investments of £96,000. (Gain £140,000 2014/15) This is a result of the stock market performance outlined at the top of this page in the Financial Investments Performance section.

The Balance Sheet Statement shows the fixed asset investments have decreased from £1,940m to £1,843m. Movements on the valuation of the investments are further analysed in note 14 and note 15.

Trustee's Annual Report 2015/16

Financial Review - continued

Fixed asset properties and collections have been included in the accounts at their prior year valuations. The £7,000 increase in cash is further analysed in the Cash Flow Statement. The detail of the amount owed by each Trust to the Council as at 31 March 2016 is included within Note 15 of the Accounts.

Letters dated 1 April 2016 were received to notify that the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund are to be wound up with the funds liquidated as at 30 June 2016 and this paid out on 6 July 2016. Therefore plans will need to be in place to reinvest this money to ensure that investment income in the 2016/17 financial year is not adversely impacted.

An overall review of the current asset allocation will be undertaken and consideration of whether the investment mix should be updated accordingly. Social, environmental and ethical considerations will also be taken into account when determining the best place for these investments.

Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires using "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the 17 March 2016 Finance and Resources Committee.

The annual income for Jean F. Watson averages around £25,000. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £6,173,000, consisting of £858,000 in Investments, £5,232,000 in Fixed Assets, £84,000 in Cash less Creditors of £1,000.

The annual income for the Edinburgh Education Trust averages around £20,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £852,000, consisting of £725,000 in Investments, £131,000 in Cash less Creditors of £4,000.

The annual income for Nelson Halls averages around £5,000. This income should be used in full towards costs incurred by the City of Edinburgh Council for the maintenance of the Halls. The Trust has total funds of £214,000, consisting of £193,000 in Investments, £19,000 in Heritable Assets, £8,000 in Cash less Creditors of £6,000.

No reserves policy has been created for Boyd Anderson as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016.

The annual income for Usher Hall averages around £250. This income is used towards costs incurred by the City of Edinburgh Council for the maintenance of the Usher Hall. However, the remaining cash at bank for the Trust, around £70,000, can also be used, following Committee approval, on fabric enhancements at the Usher Hall. The current understanding is that this is likely to be used in relation to the grand piano in 2016/17. The Trust has total funds of £68,000, consisting of £71,000 in Cash less Creditors of £3,000.

The annual income for the Lauriston Castle averages around £1,000. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Castle. The Trust has total funds of £7,039,000, consisting of £7,001,000 in Hertitable Assets, £38,000 in Investments, £4,000 in Cash less Creditors of £4,000.

The annual income for The Royal Scots Trust averages around £800. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Monument. The Trust has total funds of £30,000, consisting of £29,000 in investments, £2,000 in Cash less Creditors of £1,000.

The Heritable Assets and the Investments stated above are restricted funds and are therefore not available for general purposes.

Financial Review - continued

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Trusts in the 2016/17 financial year, which will leave five Trusts remaining.

Future plans also include maximising realised investment gain when the Allianz funds are wound up. It will also be important for the long-term future of the Trusts that these funds are reinvested promptly and to preserve capital whilst generating strong annual income returns.

In the 2015/16 financial year the Trusts have improved processes regarding the transfer of funds and this should be continued in 2016/17 to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting should be carried out in 2016/17 to ensure that they are also aware of the likely money available in 2017/18.

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee
Date:

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2016

	Note	2015/16 Unrestricted funds	2015/16 Endowment funds	Total funds 2015/16	2014/15 Unrestricted funds	2014/15 Endowment funds	Total funds 2014/15
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income and Endowments from:							
Charitable activities	*2*	(2)	-	(2)	-	-	-
Investments	*2*	(54)	-	(54)	(64)	-	(64)
Total		(56)	-	(56)	(64)	-	(64)
Expenditure on:							
Charitable activities	*3, 4*	37	-	37	19	-	19
Other - Trusts transferred to external charities		-	-	-	84	1,208	1,292
Total		37	-	37	103	1,208	1,311
Net gains / (losses) on investments	*14*	-	(97)	(97)	-	140	140
Net income / (expenditure)		-	(97)	(97)	-	140	140
Other recognised gains/(losses):							
Gains on revaluation of fixed assets	*5*	-	-	-	1,304	-	1,304
Net movement in funds		19	(97)	(78)	1,265	(1,068)	197
Reconciliation of funds							
Capital as 1 April		1,227	1,734	2,961	1,266	2,802	4,068
Revaluation Reserve		4,377	7,001	11,378	3,073	7,001	10,074
Market Value Adjustment		8	225	233	8	225	233
Total funds brought forward		5,612	8,960	14,572	4,347	10,028	14,375
Total funds carried forward	*15*	5,631	8,863	14,494	5,612	8,960	14,572

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2016

	Note	2015/16 Unrestricted funds	2015/16 Endowment funds	Total funds 2015/16	2014/15 Unrestricted funds	2014/15 Endowment funds	Total funds 2014/15
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets:							
Jean F. Watson Collection	5	5,232	-	5,232	5,232	-	5,232
Heritable Property	6		7,020	7,020	-	7,020	7,020
Investments	7		1,843	1,843	-	1,940	1,940
Total fixed assets		5,232	8,863	14,095	5,232	8,960	14,192
Current Assets:							
Cash at Bank	*8*	420	-	420	413	-	413
Total current assets		420	-	420	413	-	413
Liabilities:							
Creditors due within one year	*9, 10*	21	-	21	33	-	33
Total Liabilities		21	-	21	33	-	33
Net Current Assets		399	-	399	380	-	380
Total Net Assets		5,631	8,863	14,494	5,612	8,960	14,572
The funds of the charity:							
Unrestricted Funds	*15*	1,254	-	1,254	1,235	-	1,235
Endowment Funds	*15*	-	1,862	1,862	-	1,959	1,959
Revaluation Reserve	*14*	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,631	8,863	14,494	5,612	8,960	14,572

The unaudited accounts were issued on 30 June 2016.

Signed on behalf of the charity trustee:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2016

	31 March 2016		31 March 2015
	£'000	**£'000**	**£'000**
Operating Activities			
Dividend Income and Interest received (Note 2)	(54)		(64)
Cash inflows generated from operating activities		**(54)**	**(64)**
Cash paid to Schools and Pupils (Note 3)	13		2
Cash paid to Purchase Art (Note 3)	4		1
Cash paid to the Council (Note 9)	30		-
Cash outflows generated from operating activities		**47**	**3**
Net cash flows from operating activities		**(7)**	**(61)**
Investing Activities			
Transfer of Surplus Fire Fund to Edinburgh Voluntary Organisations Trust	-		127
Net cash flows from investing activities		-	**127**
Net cash flows from financing activities		-	-
Net (increase) / decrease in cash and cash equivalents		**(7)**	**66**
	April 2015		**April 2014**
Cash and cash equivalents (Note 8)	413		479
	March 2016		**March 2015**
Cash and cash equivalents (Note 8)	420		413
Net (increase) / decrease in cash and cash equivalents		**(7)**	**66**

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

1 Accounting policies

a) Basis of preparation

The 2015/16 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trusts for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis. These Trusts meet the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Fund accounting

Unrestricted funds are general funds that are available for use at the trustee's discretion in the furtherance of any of the objectives of the charities.

Almost all of the charities have an endowment fund consisting of invested capital and any heritable property. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the trustee has discretion to expend endowment funds should the need arise.

c) Investment income

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

d) Expenditure

Expenditure is included in the financial statements on an accruals basis.

e) Heritable property and depreciation

Heritable properties are stated in the accounts at a revalued amount where this is available. Where this is not available historic cost has been used, this is the case for the Nelson Halls. Depreciation is not currently provided for heritable property.

f) Heritable assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets includes collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

g) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the SORP. Any gain or loss on revaluation is shown on the Statement of Financial Activities.

h) Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

2	**Analysis of Income**	**2015/16**	**2014/15**
		£'000	**£'000**
	Dividend income	(53)	(63)
	Interest received	(1)	(1)
	Grant for purchase of art	(2)	-
	Total Income	(56)	(64)

3	**Analysis of Expenditure on Charitable Activities**	**2015/16**	**2014/15**
		£'000	**£'000**
	Activities undertaken directly:		
	Education Grants - to Individuals	11	2
	Education Grants - to Schools	2	-
	Jean F. Watson Art Collection	4	-
	Lauriston Castle	1	1
	Nelson Halls	5	6
	The Royal Scots Trusts	1	-
	Surplus Fire Fund Legal Fees	n/a	1
		24	10
	Allocation of support costs	13	9
	Total Expenditure on Charitable Activities	37	19

4	**Analysis of Support Costs**	**Governance**	**Finance**	**Total**
	Edinburgh Education Trust	2	3	5
	Boyd Anderson	1	1	2
	Jean F. Watson	1	2	3
	Usher Hall	2	1	3
	Total Support Costs	6	7	13

The basis of allocation for the governance and the finance support costs was the cash held at bank at the time of allocation.
No trustee received any remuneration or expenses during year ending 31 March 2016. There are no employees of the City of Edinburgh Council Charitable Trusts.

5	**Jean F. Watson Collection**	**2015/16**	**2014/15**
		£'000	**£'000**
	Balance brought forward at 1 April	5,232	3,928
	Revaluation during the year	-	1,304
	Balance carried forward at 31 March	5,232	5,232

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

6 Analysis of Heritable Property

	2015/16 £'000	2014/15 £'000
Nelson Halls	19	19
Lauriston Castle	7,001	7,001
Total Heritable Property	7,020	7,020

The Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection. An external revaluation of the collection commenced in 2015/16 but the final figures were not available for inclusion in the 2015/16 Trustee's Unaudited Annual Report and Accounts.

The Nelson Halls properties have not been valued for the purposes of these accounts and are stated at cost. These buildings are now often incorporated into the fabric of existing buildings and are therefore difficult to revalue.

7 Analysis of Investments

	At 31/3/15 £'000	Net Loss on revaluation £'000	At 31/3/16 £'000
Investments	1,940	(97)	1,843
Total Investments	1,940	(97)	1,843

8 Analysis of Cash and Cash Equivalents

	2015/16 £'000	2014/15 £'000
Edinburgh Education Trust	131	130
Boyd Anderson	120	127
Jean F. Watson	84	65
Lauriston Castle	4	2
Nelson Halls	8	13
The Royal Scots Trust	2	4
Usher Hall	71	72
Total Cash at Bank	420	413

9 Analysis of Creditors Due Within One Year

	Unrestricted funds £'000	Endowment funds £'000	2015/16 Total £'000	2014/15 Total £'000
Amounts due to the Council	21	-	21	33
Total Liabilities	21	-	21	33

Detail of the amounts due to the Council per Trust is available in Note 15.

10 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £21,422 was owed to the Council by the Trusts (2014-15 £33,287). Detail of the amounts due to the Council per Trust is available in Note 15.

11 Prior Year Adjustment

There are no prior year adjustments included in the 2015/16 Accounts.

12 Post Balance Sheet Event

Events after the balance sheet date

A revaluation of the Lauriston Castle collection commenced in January 2016. It is likely there will be a significant increase in the value of these assets when the details of the revaluation become available, which will need to be reflected in the Accounts.

13 Audit Fee

The fee payable to Audit Scotland in respect of the audit services for the Council's Charitable Trusts is £4,250 for 2015/16. (2014/15 £4,250) This fee was included in the overall governance costs and allocated proportionately to each individual Trust. In prior years, this fee was included in the overall fee for the Council and not allocated directly to the individual Trusts.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

14 Trusts at Market Value - Year Ended 31 March 2016

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Losses on investments £'000	Funds carried forward £'000	2014/15 Market Value £'000
Edinburgh Education Trust	**SC042754**	886	(21)	17	(38)	**852**	886
Boyd Anderson	**SC025067**	120	-	2	-	**118**	120
Jean F. Watson	**SC018971**	6,198	(27)	7	(45)	**6,173**	6,198
Lauriston Castle	**SC020737**	7,041	(1)	1	(2)	**7,039**	7,041
Nelson Halls	**SC018946**	224	(6)	6	(10)	**214**	224
The Royal Scots Trust	**SC018945**	33	(1)	2	(2)	**30**	33
Usher Hall	**SC030180**	70	-	2	-	**68**	70
Total Funds		14,572	(56)	37	(97)	**14,494**	14,572

15 Trusts at Market Value - Year Ended 31 March 2016

Charity Name	SC Number	Jean F. Watson Collection	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment	Cash at Bank	Amounts due to Council	2015/16 Market Value	2014/15 Market Value
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Edinburgh Education Trust	**SC042754**	-	-	657	69	131	(5)	**852**	886
Boyd Anderson	**SC025067**	-	-	-	-	120	(2)	**118**	120
Jean F. Watson	**SC018971**	5,232	-	747	111	84	(1)	**6,173**	6,198
Lauriston Castle	**SC020737**	-	7,001	33	5	4	(4)	**7,039**	7,041
Nelson Halls	**SC018946**	-	19	168	25	8	(6)	**214**	224
The Royal Scots Trust	**SC018945**	-	-	25	3	2	-	**30**	33
Usher Hall	**SC030180**	-	-	-	-	71	(3)	**68**	70
Total Funds		5,232	7,020	1,630	213	420	(21)	**14,494**	14,572

The City Of Edinburgh Council

10.00am, Thursday 30 June 2016

Common Good Asset Register

Item number	8.6
Report number	
Executive/routine	Routine
Wards	City Wide

Executive summary

The Council, at its meeting on 2 June 2016, approved a report on the Common Good Asset Register and accepted an addendum requesting that a further report to Council providing an update on certain matters not dealt with in the report.

This report responds to that request.

Links

Coalition pledges	P31, P33
Council outcomes	CO19
Single Outcome Agreement	SO2, SO4

Report

Common Good Asset Register

Recommendations

1.1 It is recommended that Council:

1.1.1 Notes the content of this report; and

1.1.2 Notes that progress with completion of the Common Good Asset Register will be reported to Finance and Resources Committee on a bi-annual basis.

Background

2.1 The Council, at its meeting of 2 June 2016, considered a progress report on the Common Good Asset Register. Council approved the recommendations in the report together with the following Addendum:

Notes that at the meeting of Corporate Policy and Strategy on 1st December 2015 an instruction was given to officers to report on finding innovative solutions involving community groups, higher education and historical societies and that the report is silent on any progress of this instruction.

Notes that the Council Leader was to write to COSLA requesting that Common Good would be put on a future agenda and notes that the report makes no reference to this and requests a further report to be brought to Council in one cycle to provide an update on the matters previously instructed by Committee and on which the above report is silent.

Main report

3.1 A report on the Common Good Asset Register, approved by the Corporate Policy and Strategy Committee on 4 August 2015 and by the Governance, Risk and Best Value Committee on 13 August 2015, included details on the processes involved and skill sets required to establish a fully updated Register.

3.2 The verification of good title and what constitutes a common good asset is often a complex legal matter well demonstrated by the recent consideration of common good issues surrounding the relocation of Portobello High School.

3.3 The compiling of the Register has only recently commenced and, as reported to Council on 2 June 2016, the initial focus will be to examine those assets historically thought to be common good.

3.4 Council also noted that as the project develops, specialist input for archivists and historians may be required.

3.5 Furthermore, in accordance with Corporate Policy and Strategy Committee instructions in December 2015, officers will also explore innovative ways of involving higher education establishments, historical societies and other community groups in completing the task.

3.6 An organisation or group's involvement in the exercise will only be considered where appropriate, depending upon legal complexities and sensitivities and will be considered on a property by property basis as the project progresses.

3.7 The preparation of the Register will involve the careful examination of thousands of legal documents, a large number of which are hand written and many in Old Scots or Latin. The exercise is time consuming and accordingly it will be three to four years before this due diligence will be considered largely completed.

3.8 In terms of the Community Empowerment (Scotland) Act 2015, the Council is required to publish a list of properties that it proposes should be included on the Register prior to establishing the Register itself. The Council must notify the list to (1) any community council within the Council's area and (2) community bodies of which the Council is aware. The Council must take account of any representations made by those bodies in finalising the list and establishing the Register.

3.9 In order that community bodies may input to the list, and in light of the length of time that the due diligence is likely to take, the Council will make the list publically available through the Council's website on an ongoing basis and regularly update it as properties are assessed and their status determined. Updates will be provided to the Finance and Resources Committee on a bi-annual basis.

3.10 In order that local authorities could establish a uniform position on common good the Corporate Policy and Strategy Committee in December 2015, agreed that the Leader of the Council write to COSLA suggesting that common good be put on the agenda for a future meeting. Having written to COSLA, the Leader of the Council has pressed for a response which is awaited.

Measures of success

4.1 A fully updated Common Good Register and a review process that will minimise the risk of an inalienable common good property being inadvertently sold.

Financial impact

5.1 There is an approved budget allocation of £100,000 for 2016/17 rising to £250,000 in total in 2017/18 and this continues into 2018/19.

Risk, policy, compliance and governance impact

6.1 There is a risk that some properties are not identified as common good and are not included on the asset register. The Common Good Asset Register could therefore be incomplete.

6.2 Pending the Register being fully updated, the risk that a common good property is unlawfully disposed, is mitigated by a review being undertaken of any property identified for disposal, to assess whether it is common good. This approach was agreed by the Finance and Resources Committee in June 2008.

Equalities impact

7.1 Fully updating the register of common good assets will potentially enhance the right to legal security for the citizens of the City of Edinburgh. The interim approach whereby the status of a property is reviewed prior to disposal will ensure existing rights are maintained.

Sustainability impact

8.1 As the report recommends that Council notes the content of the report and future reporting there is no impact in relation to the three elements of the Public Bodies Duties in the Climate Change (Scotland) Act 2009.

Consultation and engagement

9.1 None.

Background reading/external references

Finance and Resources Committee - 17 June 2008

Corporate Policy and Strategy Committee – 24 February 2015

Governance, Risk and Best Value Committee – 5 March 2015

Corporate Policy and Strategy Committee – 4 August 2015

Governance, Risk and Best Value Committee – 13 August 2015

Governance, Risk and Best Value Committee – 12 November 2015

Corporate Policy and Strategy Committee – 1 December 2015

Finance and Resources Committee – 14 January 2016

City of Edinburgh Council – 21 January 2016

Hugh Dunn

Acting Executive Director of Resources

Contact: Graham Tully, Acting Estates Services Manager

E-mail: graham.tully@edinburgh.gov.uk | Tel: 0131 529 5961

Links

Coalition pledges	P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure. P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used.
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm.
Single Outcome Agreement	SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health. SO4 – Edinburgh's communities are safer and have improved physical and social fabric.
Appendices	

The City of Edinburgh Council

10am, Thursday, 30 June 2016

The Edinburgh and South East Scotland City Region (ESESCR) Deal

Item number	8.7
Report number	
Executive/routine	
Wards	All

Executive summary

Following the statement in the 2016 Budget from the Chancellor of the Exchequer on pursuing a City Region Deal for Edinburgh and South East Scotland, negotiations are underway on the scope, scale and timing of the City Region Deal.

City Region Leaders have agreed to establish a Joint Committee to oversee the City Region Programme. This will include representation from the local authorities, and from the university and business sectors.

Discussions are underway on the opportunity for a reformed approach to policy integration under a new cross-sector partnership model.

The City Region Deal proposals are being shaped around four interconnected programmes: innovation hubs; infrastructure investment; a regional housing programme; and culture and tourism investment. Regional skills and low carbon programmes will ensure that inclusive and sustainable growth is positioned at the heart of City Region Deal activity.

Taken together these proposals currently amount to around £2bn of investment, with the potential to lever in £5bn of private sector monies. Financial arrangements for a Deal are still to be determined but funds are likely to be released from Government on a “Payment by Results” basis. Local authorities will be required to fund a proportion of the deal. In a £2bn Deal scenario, the City of Edinburgh’s contribution could be approximately £100m, depending on the final projects approved for inclusion.

Links

Coalition Pledges	CP 8, CP9, CP15, CP24, CP28, CP30, CP31
Council Priorities	
Single Outcome Agreement	SO1

Report

The Edinburgh and South East Scotland City Region (ESESCR) Deal

Recommendations

1.1 It is recommended that the Council:

1.1.1 Notes the progress of the City Region Deal since the previous update in May 2015;

1.1.2 Approves the proposed formation of a Joint Committee for the City Region Deal programme;

1.1.3 Notes ongoing discussions on the opportunity for a reformed approach to policy integration under a new cross-sector partnership model;

1.1.4 Agrees the priorities for the City Region Deal that form the basis of negotiations with the UK and Scottish Governments; and

1.1.5 To note that a contribution will be required from the City of Edinburgh Council of around £100m towards a City Region Deal (assuming a deal in the order of £2bn and confirmation of the final projects included).

Background

2.1 At its meeting in December 2014, the Economy Committee agreed to contribute initial resources to support the development of an outline business case for a City Region Deal Infrastructure Fund, in partnership with East Lothian, Fife, Midlothian Scottish Borders and West Lothian councils. Further resources were committed in April 2015 (Economy Committee) and May 2015 (Corporate Policy and Strategy Committee) to enable a more detailed proposition to be developed. This was submitted to the UK and Scottish Governments in September 2015, with further, more detailed iterations in December 2015 and April 2016.

2.2 Partners involved in shaping the City Region Deal include the local authorities, universities and colleges, the private sector, the third sector and relevant public sector agencies.

2.3 Following the statement in the 2016 Budget from the Chancellor of the Exchequer on pursuing a City Region Deal for the region, the Scottish Government, the UK Government and the local authorities signed Terms of Reference for a City Region Deal, and negotiations are now underway on the scope and timing of the Deal.

2.4 The City Region Deal aims to make a step change in economic growth across the region through a wide-ranging programme of investment. Integrated regional low carbon and skills programmes will cut across all interventions.

2.5 A number of freedoms and powers are also being sought in the proposition submitted to both governments as well as proposing delivery governance.

Main report

3.1 The purpose of this paper is to provide an update on the focus, scope and scale of the City Region deal and to agree to the recommendations in Section 1.

Governance and strategic focus

3.2 Both the UK and Scottish Governments have emphasised that local leadership and commitment across the regions is important to deliver their aspirations for local economic growth through the City Region Deal programmes. Recognising the importance of robust governance arrangements, the City Region Leaders agreed at their meeting on 27 November 2015 to establish a Joint Committee for this purpose and to include representation from both the university and business sectors on that committee (see Appendix One – "Edinburgh and South East Scotland City Region Deal – Proposed Governance Structures").

3.3 The role of the committee would be fourfold: to determine strategic focus; to agree investment priorities; to oversee planning and implementation activity; and to monitor impact.

3.4 There is a strong case for integrating the support and service arrangements for planning, transport, housing and economic development at a regional level – as referenced in the recently published independent review of the Scottish Planning system, "Empowering Planning to Deliver Great Places" (May 2016).The City Region Deal provides the opportunity for a new approach to policy integration which could bring together strategic planning functions for the region under a new cross-sector partnership model. The potential benefits would include a clear alignment of activities and more efficient working. Discussions on such a reform of the approach to city region governance and programmes are ongoing.

Investment programmes

3.5 The City Region Deal proposals have been shaped around four interconnected programmes:

- Innovation hubs;
- Infrastructure investment;
- A regional housing programme; and
- A culture and tourism programme.

3.6 Taken together across the region, these amount to around £2bn of investment, with the potential to lever in £5bn from the private sector. This cohesive programme of investment will create a step change in the regional economy, accelerating inclusive growth over the next 20 years.

3.7 Projects will be prioritised based on strategic fit, impact and deliverability.

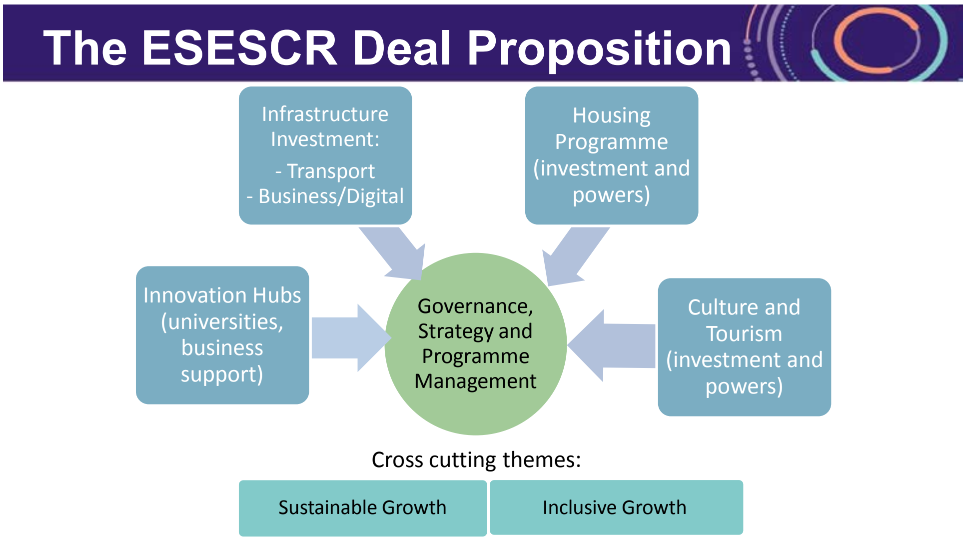


Figure 1 – The ESESCR Deal Proposition

i) Innovation Hubs

3.8 At the heart of the vision is the aim of accelerating growth through investing in dynamic, future-oriented sectors of the economy. Universities are potential powerhouses for economic growth and can play a unique role at the heart of an innovation ecosystem, connecting world-leading research and innovation to business incubation and skills development.

3.9 The dramatic growth of the tech sector around the University of Edinburgh's School of Informatics, feeding off the School's research programmes and the skills of its graduates and supported by the business development body Informatics Ventures, illustrates the possibilities that emerge from fluid university-business linkages.

3.10 Sectors in which the region already has significant strengths, and in which universities already have potential to deliver a step-change to sectoral growth include:

- low carbon;
- data technologies (with applications in creative industries - including Edinburgh's festivals, fintech, communications technology and the 'smart' public sector);
- Life sciences, (medicine / health care and veterinary medicine and agriculture);
- food and drink; and
- textiles.

3.11 The partners aim to scale up or establish innovation hubs around each of the above sectors, placing university research and innovation at the heart of the region's growth strategy.

3.12 Co-funding is being sought to establish or develop the facilities in which leading-edge research can produce innovative technologies in close engagement with businesses, in ways that leverage in private investment to take products to market. By investing in this way in incubation and reformed business support capabilities the region will build the comparative advantage that grows dynamic sectors that can compete and lead in national and global markets.

3.13 A project pipeline for the Innovation Hubs is under development.

ii) Infrastructure Investment

3.14 The Investment Hub activity will take place within a broader context of City Region Deal investment in infrastructure – both physical and digital – across the region. This programme of investment will focus on developing a pipeline of strategically significant projects which have the potential, both individually and collectively, to contribute to significant economic impact across the city region. These will ensure that major development areas are as sustainable as possible, with a focus on public transport and active travel.

3.15 The City Region Deal also provides a unique opportunity to provide a step change in digital connectivity and activity. Access to high quality digital provision across the region is both complex and a major barrier to economic growth.

iii) Regional Housing Programme

3.16 There is an acute shortage of homes, affordable for people on low to moderate incomes, across the region. This, and the high cost of housing in many areas of the region, is a key factor in the cost of living faced by those households. House-building rates for both affordable and market homes fall well below that needed to address current and future demand. Reducing the cost of housing for those on low to moderate incomes would be one of the quickest ways to spread the positive economic benefits of growth and generate additional local economic uplift.

3.17 The Scottish Government has set a target of delivering 50,000 affordable homes, 35,000 of them to be for social rent, with the remainder being largely for mid market rent and some for low cost home ownership. Council officers and Scottish Government officials have been exploring ways to align the national target with regional and local delivery of new homes.

3.18 The Regional Housing Programme will enable the development of major strategic housing sites and the delivery of affordable housing across sites identified in strategic housing investment programmes and the wider public sector estate:

- A strategically significant revolving **Housing Infrastructure Fund** could deliver a large number of affordable and market homes across major housing sites. It is anticipated that monies would be allocated to removing prohibitive infrastructure identified a number of strategic housing sites;
- **Additional affordable housing grant** funding for the region is sought over the next ten years;
- **Consent to on-lend** can enable the City of Edinburgh Council to invest and deliver up to 500 low cost homes to rent per annum;
- **A Regional Land and Property Commission** will assess public sector sites viability for accelerated affordable housing led development prior to sites being marketed on the open market. It will also have powers to acquire sites from private market. A start up loan fund is sought to enable site acquisitions between partners, with loans repayable post development. Potential partners could include: Local Authorities, Scottish & UK Government, NHS, MoD, Police & Fire services and the Crown Estate.

iv) Culture and Tourism Programme

3.19 The city region, including the capital city, is one of the most desirable tourist destinations in Europe, welcoming over 3.8m visitors a year. The world-class cultural assets offer is also a vital stimulus for the region’s wider creative and services industries, and its attractiveness to knowledge-based workers, businesses and students.

3.20 Investment in enhanced cultural infrastructure is critical for the city region to maintain its international standing. A number of investment propositions are being considered as part of the city region deal, including improved sustainability for the City’s cultural programme and significant improvement in key tourism sectors and enhanced workspace provision for the creative sector.

Cross-Cutting Programmes

3.21 The City Region Deal provides an opportunity to future proof the economy of the city region and to further develop the world-leading low carbon sector within its boundaries. The work of the Edinburgh Centre for Carbon Innovation (a collaboration of the University of Edinburgh, Edinburgh Napier University and Heriot-Watt University) shows the potential to connect academic expertise both to early-stage business incubation but also to support the development of a 200-strong network of established companies in developing products for regional, UK and now international markets. The opportunity is to replicate and scale up this model across the range of low carbon technologies that have a strong basis in research and innovation in the region’s universities, and to link these to development opportunities across the region.

3.22 With innovation hubs at the heart of the City Region Deal, a cross-cutting Integrated Regional Employability and Skills (IRES) programme will marry the world-class research of the region's universities, the excellent skills training provided by its colleges, and insights and planning from businesses to match supply and demand in skills. Bespoke skills pipelines will help to up-skill the region's workforce ensuring that new jobs created can both attract talent from outside the region and be filled by talent from within the region.

3.23 The IRES programme will reengineer and augment the currently separate employability and skills infrastructures into an integrated regional system that is co-produced with stakeholders and led by an underpinning regional partnership.

3.24 Through this enhanced participation by stakeholders and the sharing and joining up of expertise at a more natural economic scale, significant quantitative and qualitative benefits will be realised.

Impact

3.25 These mutually reinforcing programmes of investment will be transformational for Edinburgh and the region. Detailed modelling of the programme of investment will follow over coming weeks. The City Region Deal programme represents an ambitious and game-changing approach to accelerating and future-proofing inclusive growth across the region.

3.26 The proposed investments align clearly with national priorities identified within the Scottish Government's Economic Strategy and with targets included in the National Performance Framework.

Next steps

3.27 Negotiations are underway with the UK and Scottish Governments on each of the investment programmes. A series of workshops are planned over coming weeks with the aim of delivering a City Region Deal by the end of the calendar year.

Measures of success

4.1 The success of projects will be measured and assessed by an agreed formula between Treasury and the partners. This will include indicators to determine the increase in productivity and reduction in inequalities arising from the investment.

4.2 It is likely that Gateway Reviews will determine whether projects have delivered value for money, and whether funds will be returned from Government for further investment.

Financial impact

5.1 Financial arrangements for agreeing a City Region Deal remain subject to negotiation. Based on other agreed City Deals with infrastructure funds, it can be assumed that local authorities will contribute at least 10 per cent of the capital funding. Investment is likely to be over an initial ten year period, with funding released over a twenty year timeframe, subject to gateway reviews. This timing difference between the profile of capital investment and release of funding will result in borrowing costs being incurred by the Council.

5.2 Further work will need to be carried out to determine the actual contribution however, assuming a total infrastructure fund of approximately £2bn would mean local authority contributions of £200m. The share of this attributable to the City of Edinburgh Council could be around £100m (dependant on the scale of the Deal agreed and the final composition of the projects included). Further financial modelling will require to be undertaken as projects are finalised, and this will determine the contribution from the Council.

5.3 In line with our partner authorities, Edinburgh is currently dealing with significant financial pressures. The Council will therefore need to consider the revenue implications as part of its budget process and will include an update in the mid-term review report to Finance and Resources Committee in September 2016.

Risk, policy, compliance and governance impact

6.1 There is currently limited information on the approach to risk for the City Region Deal; this may be shared between local authorities at a programme level or be held by individual authorities on a project by project basis.

6.2 The region requires a long term programme of sustained capital investment to tackle existing issues such as congestion that constrain growth as well as open up opportunities to remain internationally competitive. Without this investment programme, there is a risk that the city region loses out on investment by the private sector and reduces its current contribution to the UK and Scottish economies. There is a further risk that the current situation where many residents in the region lack the opportunity to share in the region's economic prosperity does not change.

6.3 All City Deals require authorities participating to demonstrate a strong, local and accountable governance structure that includes each of the authorities participating in the Deal. The proposed governance is detailed in the main report and recommended for this Council to approve.

Equalities impact

7.1 All propositions aim to reduce inequalities across the city region. Inclusive Growth is one of the Scottish Government's four priority areas in its Economic Strategy. The integrated regional skills programme will work to ensure that all residents throughout the region have the ability to share in future success.

Sustainability impact

8.1 A City Region Deal would provide a mechanism to help drive forward investment in sustainable place making. It will be developed in line with the city's stated ambition to advance a sustainable economy. A cross-cutting approach to sustainable growth is at the heart of the City Region Deal.

Consultation and engagement

9.1 A stakeholder engagement strategy has been developed within the PMO function of the City Region Deal partnership.

9.2 Ongoing discussions on the composition and scope of City Region Deal have been held over the past 18 months with city region local authorities, the UK and Scottish Governments and agencies, and key regional stakeholders in the business and third sectors.

Background reading / external references

1. "City Growth and Infrastructure Investment" – report to the Economy Committee on 18 December 2014
2. "Edinburgh and South East Scotland City Region City Deal" – report to the Economy Committee on 28 April 2015
3. "Edinburgh and South East Scotland City Region City Deal" – report to Corporate Policy and Strategy Committee on 12 May 2015

Paul Lawrence

Executive Director of Place

Contact: Alison Muckersie, Service Manager

E-mail: alison.muckersie@edinburgh.gov.uk | Tel: 0131 469 3967

Links

Coalition pledges	CP 8 Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites CP 9 Work in partnership with Scottish Government to release more funds for council homes for rent CP15 Work with public organisations, private sector and social enterprise to promote Edinburgh to investors CP 17 Continue efforts to develop the city's gap sites and encourage regeneration CP 21 Consult further on the viability and legality of a transient visitor levy CP 24 Maintain and enhance support for our world famous festivals and events CP 28 Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the City CP 30 Continue to maintain a sound financial position including long term financial planning CP 31 Maintain our city's reputation as the cultural capital of the world by continuing to support and invest in our cultural

	infrastructure
Council Priorities	
Single Outcome Agreement	SO1 Edinburgh's economy delivers increased investment, jobs, and opportunities for all
Appendices	1 – Proposed Governance Structure

Edinburgh and South East Scotland City Region Deal

Proposed Governance Structures

Background

In preparing a City Deal bid which will be acceptable to UK and Scottish Governments, a number of building blocks have to date been seen to be essential. These include that the participating authorities' have developed a cohesive vision with sound objectives and clear outcomes; that resources have been identified to support the development of the Deal, to contribute to the overall fund and to cover the cost of financing requirements; and a demonstration of the financial commitment of the authorities involved.

A key building block has always been considered to be a strong, local and accountable governance structure. The purpose of this paper is to examine potential options for the principal decision making structure which the Authorities could employ both during the development phase of the deal and post approval. This paper does not seek to examine the detail of these governance models nor to identify all the individual components which will be necessary, rather it seeks to consider the potential principal models of organisation which could be followed. Any final decision on governance will be subject to feedback from the UK and Scottish Governments.

Pre Approval Stage from 1 December 2015

During the development stage of the City Deal Bid it is not considered necessary to have a formal decision making structure beyond the delivery structure set out in Appendix 1.

These arrangements are considered to be an appropriate structure to advance discussions with government and populate the financial and economic model. Regular meetings of the, Skills/Innovation (led by East Lothian), Housing (led by CEC), Infrastructure/ Economic modelling (led by Fife), and Regional Partnerships (led by Midlothian) groups will continue coordinated and supported by the programme office. Meetings required to address issues of finance and governance will also be co-ordinated by the programme office.

Post approval of the Bid.

The Edinburgh and South East Scotland City Region (ESESCR) have, very broadly, three options:

1. To work together as separate entities, under written memorandum of understanding or agreement;
2. To enter into a formal joint committee arrangement; and
3. To create a new corporate body with its own legal personality.

<u>The Options</u>

<u>Option 1</u>

Under option 1, the Authorities which form part of the ESESCR will continue to act as individual bodies. Therefore all decision making responsibility will continue to vest in the individual Local Authorities, but those Authorities will meet and work together to seek to achieve the joint goals under a memorandum of understanding or written agreement. This model, it is submitted, has significant failings.

A decision making process, where every decision has to be approved and confirmed by each of the six member authorities is likely to be cumbersome and ineffective. The potential for the authorities to fail to reach agreement, or to at least fail to reach an agreement timeously, is significant. For that reason it is suggested such an approach would not present as a strong governance structure, and it is unlikely therefore to meet the approval of the UK and Scottish Government.

Option 2

Section 57 of the Local Government Scotland Act 1973 permits Local Authorities to form Joint Committees of their Members. Such committees do not have a separate legal personality and remain a committee of those Authorities.

Such a committee would have delegated to it agreed spheres of decision making from each of the local authorities. It is likely that a significant proportion of the decision making matters would be delegated to this Joint Committee. However the approach also enables the participating Local Authorities to agree that certain matters be reserved to the individual Local Authorities to determine. The approach therefore creates a solid decision making process, but at the same time, allows individual member Authorities to retain control of specific identified spheres. A Joint Committee is a creation of the Local Authorities and therefore it is open to those participating Authorities to change the remit and delegated authorities of that Joint Committee should it be considered that to be prudent and necessary.

A Joint Committee would have its own Standing Orders. It would be open to the Authorities to agree and determine, through those Standing Orders, matters such as its makeup, quorum and procedures to be followed at such meetings. It could, for example, consist of one Member (probably the Leader) from each Local Authority, but that can be agreed in the fullness of time.
The 1973 Act permits non Councillors to be appointed as members of Council Committees (and so Joint Committees). The Act simply provides that at least two thirds of the Committee must be elected Members. In other words, if a Committee was to be formed whereby one elected Member were appointed from each of the Authorities, up to three additional (non elected) persons could also be appointed to that committee if that is desired.

Such a Joint Committee would require to be supported by other bodies, such as a Chief Executives Group, but this paper does not consider level of detail.

The model provides a significant degree of robust decision making process together with the flexibility afforded to those local authorities to make necessary changes as the project ensues.

It is relevant to note that this approach is the principal approach adopted by the Clyde Valley City Deal and clearly therefore is capable of being acceptable to both Governments as a structure.

<u>Option 3</u>

Combined Authorities
The English experience has often involved City Deals being pursued via the creation of Combined Authorities or through Local Enterprise Partnerships or indeed a combination of both. However, both the Combined Authority and the LEP are statutory bodies which are created via parts of the Localism Act and the Local Democracy Economic Development and Construction Act which do not apply in Scotland. These options are therefore discussed no further in this paper as there is currently no statutory *vires* to create them in Scotland.

Arm's Length Business Models
In addition the paper notes that many Local Authorities are now using Arm's Length Organisations for the provision of their functions and services. Those include corporate bodies such as limited companies, LLPs and charitable trusts. There is no evidence that such arm's length organisation have ever been used as an implementation vehicle for a City Deal. It is noted that the Governments are anxious to ensure that the City Deal governance is not only robust, but is vested very much in accountable local leaders. The creation of an arms length body such limited company, an LLP or a charitable trust, in creating a distance between that new decision making body and the local authorities, could be seen to weaken that local accountability.

Moreover each of the models has its own intricacies in terms of governance which further weaken the appropriateness of their use:

An LLP can only be formed, if it is to carry out business with a view to making a profit. It is advised that making profit is not an intended aim for the City Deal body. The LLP model can not therefore be employed.

With both a Charitable Trust and a Limited Company issues of Conflict of Interest would be significant and problematic. As a matter of law, the Directors of limited companies, and the Trustees of trusts must, (while acting in their capacity as Director or Trustee), act only in the interest of that body. In other words, any Councillor appointed to be a Director or Trustee, would require to put the interest of the new corporate body ahead of the interest of their own Authority. Given the particular nature of the City Deal project, with its mix of individual and combined projects, together with individual financial responsibilities of each of the Local Authorities, this duty to put the Corporate bodies interest ahead of the a Councillor’s own Authority is not considered appropriate.

As well as the issues around conflict of interest, a charitable trust structure would have two further complications. In Scotland, such a trust must not have in its constitution provisions which permit direction of its activities by a Minister of the Crown. This is potentially problematic. Secondly the Councillors Code of Conduct would prohibit the Councillor appointed as trustee to the new charitable trust from then participating in any debate or discussion on issue related to the City Deal at their own Authorities Council/Committee meetings. (While the Code of Conduct has a specific exclusion which applies to Councillor appointment to certain outside bodies, that exclusion does not apply where the body is charitable trust)

Joint Boards
The Local Government Scotland Act 1973 does however create a further possibility of a separate legal entity being formed by the member Local Authorities. Section 62A of that Act provides that where two or more relevant authorities form a Joint Committee to discharge any of their functions jointly, they may apply to Ministers to incorporate that Joint Committee (or proposed Joint Committee) as a Joint Board.

There is a statutory process which requires to be followed in order to seek such incorporation which includes advertising the proposal and providing opportunity for representations to be made. Should Ministers agree to grant the application then they shall, by Order, establish and incorporate the Joint Board. The Order shall delegate to the Joint Board its functions and authorities. It will also delegate the following matters:

a. the constitution and proceedings of the Joint Board;
b. matters relating to the membership of the Joint Board;
c. the transfer to the Joint Board of any property rights and liabilities of the relevant authorities;
d. the transfer to the Joint Board of any staff of the relevant authorities; and
e. the supply of services or facilities by the relevant authorities to the Joint Board.

The Joint Board is a Body Corporate. Once established the Order itself will have established its *vires* to act. The decision making authority is therefore clear and there is no requirement for the Joint Board to seek any further authorities from member councils for any matter in the sphere of its functions or authorities. Any changes to those functions and authorities require to be made via a further Order being made by Ministers.

A Joint Board therefore has autonomy and this creates a certainty in its decision making process. However, it is considered perhaps to have less flexibility than a Joint Committee as any changes to its authorities or functions require to be approved via an Order made by Ministers.

Conclusion

It is submitted that there are therefore three options open to the ESESCR, these are:

- The Local Authorities acting in a loose partnership arrangement, whereby the entire decision making remains vest within the constituent local authorities;
- A Joint Committee be established under Section 57 of the 1973 Act; and
- A joint board be created under Section 62A of the 1973 Act.

The first option, it is submitted should be discounted as it is likely to be cumbersome and prove an ineffective governance model.

While a Joint Board does offer a strong decision making option, its lack of flexibility is considered to be potentially problematic. That lack of flexibility in itself may even create difficulties in achieving political approval both of the concept of a Joint Board as an appropriate governance vehicle and also agreement as to what functions and *vires* should be delegated to it. That is, member Authorities might consider that, if changes to the delegations of functions of the joint board will be potentially difficult and cumbersome to achieve, they may not able to agree what the initial functions and *vires* of that Joint Board should be.

By contrast, when using the Joint Committee model, if any changes appear necessary or expedient during the evolution of the City Deal Project, they are reasonably easy to achieve. That will be a matter entirely for those member Authorities to agree amongst themselves and then to execute themselves.

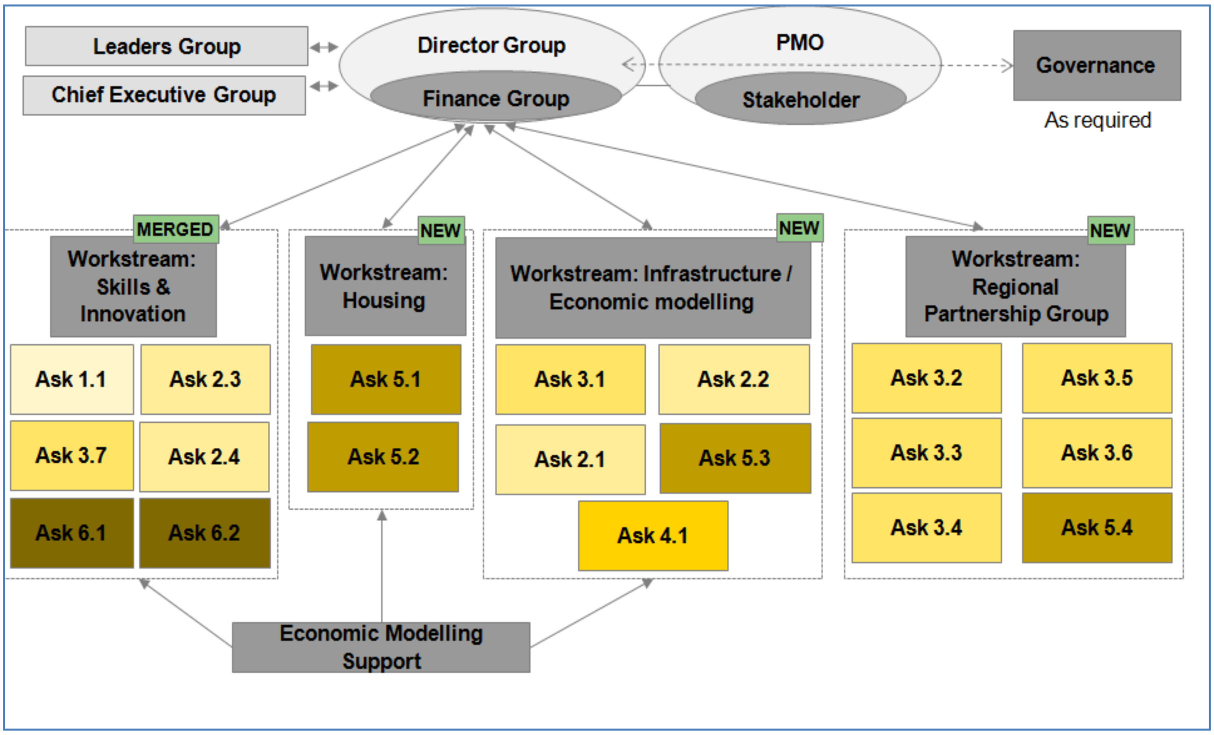
It is therefore suggested that the Joint Committee, with its combination of certainty and flexibility, affords the most effective governance vehicle for the ESESCR proposal. The Members Authorities can be comforted in that it has been seen to be an acceptable model in the Clyde Valley City Deal, but any final decision on governance will be subject to feedback from the UK and Scottish governments.

The paper again notes that there will require to be a number of other groupings developed and created to support the City Deal to make its Governance Structure acceptable, however this report only deals with the appropriate vehicle for the principal decision making body.

Scottish Borders Council
November 2015

Appendix One

Governance structure December 2015



City of Edinburgh Council

10.00am, Thursday, 30 June 2016

West Princes Street Gardens and the Ross Bandstand: update

Item number	8.8
Report number	
Executive	
Wards	All

Executive summary

As reported to the Corporate Policy and Strategy Committee on 12 April 2016, the Ross Bandstand situated in West Princes Street Gardens is no longer fit for purpose and requires to be replaced. In addition, the Ross Fountain requires refurbishment and other elements of the Gardens would also benefit from investment, including better pedestrian and vehicular access, landscaping, signage and visitor facilities.

A potential benefactor has formed a steering group ("Steering Group") and offered to support the Council to undertake a substantial programme of work in relation to these significant assets, taking into account the requirements of relevant legislation and risks inherent in the location, and has offered to raise the necessary funds in order that the work can be carried out.

Due diligence work has been undertaken, and the optimum way forward for this project is now presented for Council's approval.

Links

Coalition pledges	P24
Council outcomes	CO20
Single Outcome Agreement	SO1

Report

West Princes Street Gardens and the Ross Bandstand: update

Recommendations

The Council:

1.1 welcomes the ongoing cooperation with the Council, on a voluntary basis, by a potential benefactor and an independent Steering Group to develop an outline proposal to refurbish elements of West Princes Street Gardens, including the redevelopment of the Ross Bandstand and the building of an associated visitor centre;

1.2 notes that the independent Steering Group will set up a Scottish Charitable Incorporated Organisation (SCIO) to implement the various elements of the project;

1.3 notes that the SCIO will be responsible for carrying out:

1. 3.1 the design competition for the Bandstand and associated visitor centre, and that the Council will have representation on the selection panel and will have final approval on the design;

1.3.2 the tender process for the capital works, and oversight of their delivery; and

1.3.3 in the Council's name, the tender for the concession contract to manage the Bandstand and visitor centre post-construction.

1.4 authorises the Executive Director of Place to enter into a contract with the SCIO in order to enable the project to progress, provided that the SCIO is granted charitable status by the Scottish Charity Regulator (OSCR);

1.5 authorises the Executive Director of Place to take the action necessary to allow a private bill to be brought before the Scottish Parliament to amend the City of Edinburgh District Council Order Confirmation Act 1991 to permit the construction of a visitor centre as per the design competition, on the understanding that this will be subject to Parliamentary approval;

1.6 authorises the Executive Director of Place to take any action necessary to ensure that the change in use in the Council's common good land is permitted through procedures under the Land Reform (Scotland) Act 2016, the relevant provision of which is anticipated to come into effect in late June 2016, on the understanding that this will be subject to Parliamentary and/or Court approval; and

1.7 notes that the overall project timescale is difficult to predict, but that the process relating to the private bill could itself take between 18 months and two years, and it is likely to take a minimum of three years from now to the point when one or more operators takes over the management of the new Bandstand and associated visitor centre.

Background

2.1 The Ross Bandstand, built in 1935, is a key asset in West Princes Street Gardens, in a high-profile and sensitive location below Edinburgh Castle. The most high-profile core annual uses are the Edinburgh International Festival's Fireworks Concert produced by the Scottish Chamber Orchestra and Edinburgh's Hogmanay. However, the Bandstand's condition has deteriorated over time and it is no longer fit for purpose, although some interim maintenance works for health and safety purposes have recently been undertaken.

2.2 With input from the potential benefactor, Mr Norman Springford (founder of Apex Hotels Ltd), and an independent Steering Group formed by Mr Springford, Council officers have developed a proposal for improvements to the landscaping of and access to the Gardens, the replacement of the Ross Bandstand and construction of a visitor centre. This work is taking place on the basis that the funds for the project would be generated by donations to the SCIO. In this regard, Mr Springford has indicated that he will donate up to £5m towards this project, and anticipates generating further donations of up to £20m.

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2.3 Funding sources are currently being explored by the Council to contribute towards the proposed restoration of the Ross Fountain.

Main report

3.1 Since external funding is required for this proposed project to proceed, its success depends on the willingness and capacity of one or more external parties to manage the project on the Council's behalf. That management role must include fundraising, protecting the Council against risk, and the Council must act in compliance with all relevant legislation when passing this management role to one or more third parties.

3.2 Discussions have taken place since April 2016 with Mr Springford and his legal advisors, and with the Council's legal advisors, and a way forward has now been identified which would meet the above requirements. Mr Springford's Steering Group is setting up a SCIO. In brief, it is proposed that:

3.2.1 the Council enters into a contractual agreement with the SCIO relating to the three main elements of the renewal project, and containing relevant protection for the Council from risk;

3.2.2 the first element of the renewal project – an open competition to secure an appropriate design for the replacement Ross Bandstand and associated visitor centre, and landscaping - be carried out by the SCIO;

3.2.3 the second element – contracting and overseeing the necessary capital works – be carried out by the SCIO;

3.2.4 the third element – the procurement of one or more operators to manage the new Bandstand and associated visitor centre – be done in the Council's name by the SCIO.

3.3 The SCIO's existence depends on its charitable status. In order to demonstrate to OSCR that it would be appropriate to grant charitable status, the SCIO must demonstrate that it meets OSCR's public benefit test during the fundraising process and ongoing works. Mr Springford also requires the SCIO to have a continuing involvement in the project after the work is completed. Therefore, it is proposed that contract between the Council and the SCIO would reflect that:

3.3.1 the SCIO would have a right (i) to be consulted on all matters relating to the ongoing management of the Bandstand and visitor centre; and (ii) can make proposals in this regard; and

3.3.2 there would be quarterly meetings between the Council and the SCIO in relation to the management of the Bandstand and visitor centre.

3.4 Work to apply for SCIO status and develop an appropriate contract between the Council and the SCIO is under way.

3.5 Once charitable status has been granted to the SCIO, and the Council and SCIO have entered into a contractual arrangement, the SCIO would run or commission an open design competition. In order to protect the Council's interests, it is proposed that the Council would be represented on the selection panel, and will have final approval of the design. The project would also be subject to planning approval.

3.6 Princes Street Gardens is part of the Council's inalienable common good land. The building of an associated visitor centre could be considered a change in use of the common good land, which presently is not permitted in law. Therefore, in order to ensure that the change in use is permitted, the Council will be required to seek alienation of the function of the relevant land under the Land Reform (Scotland) Act 2016, the relevant provision of which is anticipated to come into effect in late June 2016. It should be noted that this process will be subject to Court approval.

3.7 The City of Edinburgh District Council Order Confirmation Act 1991 sets certain restrictions on building in some of the city's parks. In Princes Street Gardens, only the following permanent buildings are permitted: *"lodges for gardeners and keepers, hothouses and conservatories, monuments, bandstands, public conveniences, police boxes and buildings for housing apparatus for the supply of electricity and gas"*. Any additional visitor centre, for example, would require an amendment to the 1991 Act. Therefore, in order to ensure that the project can be completed, the Council will be required to bring a private bill before the Scottish Parliament to make the appropriate amendments to the 1991 Act. It should be noted that this process will be subject to Parliamentary approval.

3.8 The process of consultation in relation to the proposals, drafting and lodging the relevant bill and associated documentation, and the various stages of parliamentary discussion could take between 18 months and two years. Although the Council has amended the 1991 Act on a number of occasions in the past, there is no certainty that the private bill would be passed to become law.

3.9 The replacement of two bridges which span the railway line between Waverley and Haymarket stations - a main arterial route - would also require extensive planning and permissions. Their replacement is necessary to improve vehicular access for the capital works, and in the longer term, for event organisers, emergency vehicles and park maintenance. This aspect of the project will require the agreement of, and a close working relationship with, Network Rail.

3.10 The elements of an approved design, resolutions to the issues of Common Good and amendments to the 1991 Act, and agreement with Network Rail will all need to be completed before the SCIO could carry out the tender, and enter into contract, for the capital works. The Ross Bandstand and the red blaes area are both essential to the delivery of the annual Edinburgh International Festival's Fireworks Concert and Edinburgh's Hogmanay. It would be a condition of any future development that those uses be accommodated in the new facilities. The new Bandstand would be expected to provide superior contemporary facilities that would accommodate a wide range of events. It is difficult to predict the duration of the capital works, which will depend to a great extent on the final selected design.

3.11 It is proposed that the various elements of the capital work be carried out in stages, with the works to the Bandstand and visitor centre being completed last. Each element of the works will only be undertaken once the SCIO is reasonably satisfied that there are sufficient funds available to complete that element. This will minimise the risk that there is insufficient funding for the separate elements of the works.

3.12 Once the capital works have been completed, the SCIO will carry out, in the Council's name, the tender process to award the concession contract for management of the Bandstand and visitor centre.

3.13 It is likely to take a minimum of three years from now to the point when an operator takes over the management of the new Bandstand and associated visitor centre.

Measures of success

4.1 The completion of the refurbishment and development of West Princes Street Gardens in general, and the redevelopment of the Ross Bandstand and the construction of the associated visitor centre in particular, is to the benefit of residents, visitors, event organisers and Festivals, and Edinburgh's reputation.

Financial impact

5.1 With the possible exception of the restoration of the Ross Fountain, for which the Culture Service is seeking funds, the Council does not have any funding for this project and discussions with the independent Steering Group have been held on that basis.

5.2 The Council will own the replacement Ross Bandstand and associated visitor centre from the outset, and Land Buildings Transaction Tax will not be applicable.

5.3 The assets will be the subject of ongoing revenue and life cycle maintenance costs which will require budgetary provision going forward. It is anticipated that the concession element of the project will cover such costs, and, in the event of shortfall, the SCIO will contribute to the balance. Estimation of these ongoing costs will be possible once an appropriate design has been agreed and an update will be provided in a future report on the scheme.

Risk, policy, compliance and governance impact

6.1 Potential risks have been identified, including the following:

6.1.1 the Court may not approve the alienation of the common good land;

6.1.2 the Scottish Parliament may not approve relevant amendments to the 1991 Act;

6.1.3 planning approval may not be granted;

6.1.4 changes to railway bridges may not be agreed;

6.1.5 necessary funds may not be raised to complete each element of the project;

6.1.6 the proposals may attract negative responses; and

6.1.7 the level of interest in the tender process for the capital works may be limited, given the challenges inherent in the nature of the site.

6.2 Refurbishing and replacing assets in West Princes Street Gardens would fit well with the aims of relevant local and national policies and strategies.

Equalities impact

7.1 This proposal would improve access to West Princes Street Gardens for all visitors.

Sustainability impact

8.1 This proposal could enhance the West Princes Street Gardens environment; access to the Gardens, the Festivals and events programme in Edinburgh, and opportunities for smaller scale events and activities.

Consultation and engagement

9.1 The Steering Group set up by Mr Springford has already consulted a range of potential users and stakeholders including Edinburgh World Heritage Trust, the Cockburn Association, Network Rail, Edinburgh International Festival, the Scottish Chamber Orchestra and Unique Events.

9.2 Further public notification and consultation would be required in order to progress any amendment to the 1991 Act and the Court process under the Land Reform (Scotland) Act 2016.

Background reading / external references

West Princes Street Gardens and the Ross Bandstand: an opportunity for renewal report to Corporate Policy and Strategy Committee on 12 April 2016

Ross Fountain report to Culture and Sport Committee on 21 October 2014

Paul Lawrence

Executive Director of Place

Contact:

Lindsay Robertson, Culture Service Manager (Arts, Festivals & Events)

E-mail: lindsay.robertson@edinburgh.gov.uk | Tel: 0131 529 6719

Links

Coalition pledges	P24 - Maintain and embrace support for our world-famous festivals and events
Council outcomes	CO20 - Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and futures of citizens
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all.
Appendices	

The City of Edinburgh Council

10:00am Thursday 30 June 2016

Report of Pre-Determination Hearing – Old Dalkeith Road Edinburgh (South East Wedge Development Site) – referral from the Development Management Sub-Committee

Item number	8.9
Report number	
Wards	A17 - Portobello/Craigmillar

Executive summary

To consider the recommendation of the Development Management Sub-Committee on a planning application which was the subject of a pre-determination hearing under the procedures set out in the Town and Country Planning (Development Management Procedures) (Scotland) Regulations 2008.

Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	
Appendices	Appendix 1 – report by the Head of Planning and Transport

Terms of Referral

Report of Pre-Determination Hearing – Old Dalkeith Road Edinburgh (South East Wedge Development Site) – referral from the Development Management Sub-Committee

Terms of referral

1.1 In December 2009, the Council approved procedures for dealing with planning applications requiring to be considered by means of a pre-determination hearing.

1.2 On 22 June 2016, the Development Management Sub-Committee conducted a pre-determination hearing in respect of an application for planning permission in principle submitted by Sheratan Limited for a proposed residential development, community parkland and a primary school on Land at Edmonstone, the Wisp at Old Dalkeith Road Edinburgh (South East Wedge Development Site).

1.3 The Sub-Committee received:

- a presentation on the report by the Head of Planning and Transport (appendix 1)
- a presentation by Alexander Mann - The Lothian Cycle Campaign
- a presentation by Norman Davis - Craigmillar Community Council
- a presentation by Honor Flynn – Castlebrae Parent Council
- a presentation by the applicants in support of the proposals.

Report by the Head of Planning and Transport

1.4 The Head of Planning and Transport gave details of the application and the planning considerations involved for planning permission in principle.

1.5 The development proposes a new school, community facilities, green spaces and around 770 residential dwellings.

1.6 The proposed Local Development Plan (LDP) is currently under examination and the examination report is expected at the end of June 2016. As noted by Planning Committee in May 2015, this report will be binding on the Council.

1.7 However, the applicant did not make representations regarding this site during the LDP process and therefore it is unlikely that it will be considered by the examination reporters as a site for housing. Notwithstanding that the LDP examination is reported shortly, a decision is sought by the applicant at this time. It is a requirement of planning legislation that decisions on planning applications are provided. It should be noted that if members are minded to grant planning permission, the application will be notified to the Scottish Ministers.

1.8 In assessment of the application, there are a number of issues that could be addressed through the submission of subsequent AMC applications, if planning permission was granted. These relate to technical matters such as air quality, archaeology, noise and ground conditions. Further information would be required regarding transport and cumulative impacts.

1.9 The applicant is proposing to deliver a new primary school on this site, which is supported in principle. The applicant is also proposing to provide financial contributions to the local community to help with various initiatives, if planning permission was granted. However, it should be noted that this could not be secured through a legal agreement linked to the planning permission.

1.10 It is the fundamental principle of the development that is in question. At present, there is no justification for the development in terms of housing land supply. Even if planning permission was granted, there is no evidence to suggest that housing could be delivered on this site to make a meaningful contribution to the five year supply. This is based on the fact that the site is not assessed as being effective; it is not in the applicant's ownership (it is currently within the ownership of the Council) and future land remediation may delay development commencing. Furthermore, the average time in gaining first completions following the granting of a planning permission in principle is four years. Therefore, an optimistic estimate of the contribution that this site would make to the housing land supply would be around 50 units. This is apparent in the land to the immediate south of this site (on the Edmonstone Policies site, the Walled Garden and Eight-Acre Field) where, despite extant planning permissions, development has not yet commenced.

1.11 In terms of the landscape, it is acknowledged that there are a number of urban interventions around the site that impact on the overall landscape setting and character of the site. However, this site is of strategic importance in providing parkland and cycle/footpath links between Midlothian and Edinburgh. This green space provides a buffer between the Edinburgh BioQuarter and new housing developments at Greendykes/Craigmillar and forms an important visual link to Craigmillar Castle. Despite the Landscape and Visual Impact Assessment noting that many views would be affected to a major/adverse degree, there has been no meaningful discussion with the applicant regarding where development may be directed in order to mitigate any visual or biodiversity impacts.

1.12 On balance, the principle of the development is not supported. Development of this site would prejudice the development of the parkland, which would be detrimental to the future communities in the area. The impact on the landscape has been assessed and is not acceptable. Although there is a recognised need to provide new housing in Edinburgh, this site has been assessed and is not supported by policy and there are no overriding material considerations which outweigh this conclusion.

1.13 Due to the fact that the development is significantly contrary to the development plan and currently in Council ownership, the application requires to be referred to the Scottish Ministers.

1.14 The Head of Planning and Transport requested that the Sub-Committee recommend to the Council that the application be refused for the following reasons:

1) The proposal is contrary to SDP Policy 12, Edinburgh City Local Plan Policies Env 10 and Hou 1 and the Second Proposed LDP Policies Env 10 and Hou 1 as there are no compelling reasons to override the strong policy presumption against development in the Green Belt.

2) The proposal is contrary to policy Des 2 of the Edinburgh City Local Plan as it would compromise the comprehensive development and regeneration of the wider area, specifically the South East Wedge Parkland, as provided for in the Craigmillar Urban Design Framework.

3) The proposals are contrary to Greenspace Proposal GS4 of the Second Proposed Local Development Plan which states that the land around Craigmillar/Greendykes is retained in the green belt and will be landscaped to provide muli-functional parkland, woodland and country paths, linking with parallel developments in Midlothian. This proposal would not support GS4 and would prejudice the delivery of the parkland.

4) The proposal is contrary to Edinburgh City Local Plan Policies Des 3 and Env 11 as the development will not have a positive impact on its setting, the wider landscape and views.

Presentation by The Lothian Cycle Campaign

1.15 Alexander Mann gave a presentation on behalf of the Lothian Cycle Campaign

1.16 Mr Mann advised that they objected to the proposals because of the transport considerations and that the proposals would cover the entire area of the open space.

1.17 There was a lack of good bus routes, therefore, most of the residents would use their cars for shopping. The proposed bus routes were 1km from the site, which was an excessive distance to walk for a bus. This was unsustainable and contrary to Council policy in respect of the Active Travel Plan. In conclusion he asked that consent be refused.

Presentation by Craigmillar Community Council

1.18 Norman Davies gave a presentation on behalf of Craigmillar Community Council and advised that the site was council owned and when sold would provide a capital receipt.

1.19 The proposals would be beneficial to the community, would promote positive aspects for school leavers and provide apprentices to young people in the area. In a local survey, more than 65% of the people in the area agreed with the proposals.

1.20 The development would be near to the new primary school and £12m would be ring fenced to go to the new school. The community had waited for a considerable time for a new school. Additionally, the proposed primary school would reduce pressure on existing local schools.

1.21 The greenspace to be used was unattractive and not widely used by the community. The proposal would help to provide local construction jobs would be good for the community, in addition training, and vocational skills and would be delivered.

1.22 To conclude, the development would be beneficial to the community through employment and education and he asked that planning permission be granted.

Presentation by Castlebrae Parent Council

1.23 Honor Flynn spoke on behalf of the Castlebrae Parent Council and advised that:

1.24 The Parent Council supported the proposals, which would be beneficial to the school and the local community.

1.25 There was already a partnership with the developers and there would be jobs and apprenticeships created from the proposals. There would also be significant funding for local employment initiatives. Additionally, the land was unattractive and not widely used by the community.

126 In conclusion she said that the community as a whole welcomed the development and asked that planning permission be granted

Presentation by Applicant

1.27 Robin Holder – Holder Planning and Ewan McIntyre – EMA Architecture and Design gave a presentation on behalf of the applicants.

1.28 Robin Holder advised that the land was partly owned by the Council and Springfield Homes. He explained how the land could be dealt with if permission was granted. There would be a commercial price to be negotiated and the price of the land would depend upon the amount of development eventually delivered.

1.29 The proposed development had some unique considerations. There was a very high level of support in the community for a greenbelt location and the land was unattractive and was used for fly-tipping. Additionally, the development would improve the function of the greenbelt area, through the provision of a smaller parkland.

1.30 In respect of transport issues, their own transport assessment demonstrated that the accumulated impact could be accommodated in the existing network. Regarding landscape considerations, there was already significant development around the site.

1.31 It was confirmed that the site could be used for housing development which could be delivered within a reasonable timescale.

1.32 There was no justification in the claim that the site was not effective. It was well-served by transport, was near to an area of employment growth and the applicant was content to make the required developer contribution.

1.33 Ewan McIntyre advised that the proposed development did not present a choice of providing housing or open space, this was a substantial area. In fact there was not much difference between the aspirations of the Council or the applicant for the site.

1.34 Part of this application included proposals for a park which would be comparable to the meadows in size. The park would be run by a management company or community trust. This park would not be a burden on public finances and this application would deliver this park.

1.35 There was no question that only 50 houses would be delivered in five years. Because of market demand for houses in the area, there would be immediate pressure on the developer to deliver total number in the application. Four parties had expressed an interest in developing the site.

1.36 Council policy for the greenbelt indicated that one purpose was to direct planned generation in the most appropriate location and support regeneration. The masterplan for the area was for housing and this was a sustainable location for development providing housing where jobs were located. Scottish Enterprise would deliver 16,000 jobs right on the edge of Craigmillar which was undergoing major regeneration.

1.37 The report indicated that a robust masterplan for the site would encourage development in a sustainable, well connected community. The planning officers indicated that this site was capable of sustained delivery. This proposal would take place in less affluent part of the city, where 70% of the community was in favour. The application presented an opportunity to bring a long period of inactivity to an end and to create a development of real benefit to the community.

1.38 In conclusion they asked that planning permission be granted.

Deliberation by Sub-Committee Members

1.39 Copies of representations received during the consultation period had been made available to members of the Sub-Committee for inspection.

1.40 Both parties were questioned on their presentations by members of the Sub-Committee.

Motion

To refuse planning permission for the following reasons:

1) The proposal is contrary to SDP Policy 12, Edinburgh City Local Plan Policies Env 10 and Hou 1 and the Second Proposed LDP Policies Env 10 and Hou 1 as there are no compelling reasons to override the strong policy presumption against development in the Green Belt.

2) The proposal is contrary to policy Des 2 of the Edinburgh City Local Plan as it would compromise the comprehensive development and regeneration of the wider area, specifically the South East Wedge Parkland, as provided for in the Craigmillar Urban Design Framework.

3) The proposals are contrary to Greenspace Proposal GS4 of the Second Proposed Local Development Plan which states that the land around

Craigmillar/Greendykes is retained in the green belt and will be landscaped to provide mulit-functional parkland, woodland and country paths, linking with parallel developments in Midlothian. This proposal would not support GS4 and would prejudice the delivery of the parkland.

4) The proposal is contrary to Edinburgh City Local Plan Policies Des 3 and Env 11 as the development will not have a positive impact on its setting, the wider landscape and views.

- moved by Councillor Perry, seconded by Councillor Child

Amendment 1

To grant planning permission for the principle of the development subject to the Sub - Committee agreeing appropriate conditions to be attached the consent.

- moved by Councillor Lunn, seconded by Councillor Ritchie.

Voting

For the motion:	8 votes
For the amendment:	5 votes

Decision

To approve the motion.

For Decision/Action

The Council is asked to consider the recommendation of the Development Management Sub-Committee to refuse planning permission in principle for the reasons outlined in paragraph 1.14 above.

Background reading/external references

Development Management Sub-Committee 22 June 2016

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Stephen Broughton, Committee Services

Email: stephen.broughton@edinburgh.gov.uk | Tel: 0131 529 4261

Links

Coalition pledges

Council outcomes

Single Outcome Agreement	
Appendices	Appendix 1 – report by the Head of Planning and Transport

Development Management Sub Committee

Wednesday 22 June 2016

Application for Planning Permission in Principle 15/05074/PPP At South East Wedge Development Site, Old Dalkeith Road, Edinburgh Proposed residential development, community parkland and a primary school on Land at Edmonstone, the Wisp, South East, Edinburgh.

Item number	
Report number	
Wards	A17 - Portobello/Craigmillar

Summary

The development proposes a new school, community facilities, green spaces and around 770 residential dwellings.

The proposed Local Development Plan (LDP) is currently under examination and the examination report is expected at the end of June 2016. As noted by Planning Committee in May 2015, this report will be binding on the Council.

However, the applicant did not make representations regarding this site during the LDP process and therefore it is unlikely that it will be considered by the examination reporters as a site for housing.

Notwithstanding that the LDP examination is reported shortly, a decision is sought by the applicant at this time. It is a requirement of planning legislation that decisions on planning applications are provided. It should be noted that if members are minded to grant planning permission, the application will be notified to the Scottish Ministers.

In assessment of the application, there are a number of issues that could be addressed through the submission of subsequent AMC applications, if planning permission was granted. These relate to technical matters such as air quality, archaeology, noise and ground conditions. Further information would be required regarding transport and cumulative impacts.

The applicant is proposing to deliver a new primary school on this site, which is supported in principle.

The applicant is proposing to provide financial contributions to the local community to help with various initiatives, if planning permission was granted. However, it should be noted that this could not be secured through a legal agreement linked to the planning permission.

Craigmillar Community Council and The Parent Council of Castlebrae Community High School have indicated support for the proposals and this is noted.

However, it is the fundamental principle of the development that is in question. At present, there is no justification for the development in terms of housing land supply. Even if planning permission was granted, there is no evidence to suggest that housing could be delivered on this site to make a meaningful contribution to the five year supply. This is based on the fact that the site is not assessed as being effective; it is not in the applicant's ownership (it is currently within the ownership of the Council) and future land remediation may delay development commencing. Furthermore, the average time in gaining first completions following the granting of a planning permission in principle is four years. Therefore, an optimistic estimate of the contribution that this site would make to the housing land supply would be around 50 units. This is apparent in the land to the immediate south of this site (on the Edmonstone Policies site, the Walled Garden and Eight-Acre Field) where, despite extant planning permissions, development has not yet commenced.

In terms of the landscape, it is acknowledged that there are a number of urban interventions around the site that impact on the overall landscape setting and character of the site. However, this site is of strategic importance in providing parkland and cycle/footpath links between Midlothian and Edinburgh. This green space provides a buffer between the Edinburgh BioQuarter and new housing developments at Greendykes/Craigmillar and forms an important visual link to Craigmillar Castle. Despite the Landscape and Visual Impact Assessment noting that many views would be affected to a major/adverse degree, there has been no meaningful discussion with the applicant regarding where development may be directed in order to mitigate any visual or biodiversity impacts.

Therefore, on balance, the principle of the development is not supported. Development of this site would prejudice the development of the parkland, which would be detrimental to the future communities in the area. The impact on the landscape has been assessed and is not acceptable. Although there is a recognised need to provide new housing in Edinburgh, this site has been assessed and is not supported by policy and there are no overriding material considerations which outweigh this conclusion.

The development is significantly contrary to the development plan.

It is recommended that planning permission is refused subject to referral to Council. Due to the fact that the development is significantly contrary to the development plan and currently in Council ownership, the application requires to be referred to the Scottish Ministers.

Links

Policies and guidance for this application	SDP, SDP06, SDP07, LPC, CITD1, CITD2, CITD3, CITD4, CITD5, CITD6, CITD8, CITE3, CITE9, CITE10, CITE11, CITE12, CITE15, CITE16, CITE17, CITE18, CITOS3, CITH2, CITH3, CITH4, CITH7, CITCO1, CITCO2, CITCO3, CITT1, CITT4, CITT5, CITT6, LDPP, PLDP01, PLDP28, PLDP01, NSG, NSGD02,

Report

Application for Planning Permission in Principle 15/05074/PPP
At South East Wedge Development Site, Old Dalkeith Road, Edinburgh
Proposed residential development, community parkland and a primary school on Land at Edmonstone, the Wisp, South East, Edinburgh.

Recommendations

1.1 It is recommended that this application be Refused, subject to referral to Council for the reasons below.

Background

2.1 Site description

The site covers approximately 65 hectares of green belt land in the Edmonstone area of south-east Edinburgh. It comprises open grassland and scrubland with occasional mature trees and informal paths traversing the site. Areas of dense woodland exist in the far north and south-west portions of the site. The site undulates throughout, sloping from east to west into the valley at Little France Drive.

The Edinburgh Royal Infirmary and the initial phases of the Edinburgh BioQuarter development are situated to the west of the site, beyond which lies the A7 Old Dalkeith Road and the suburb of Moredun. Residential properties forming the area of Danderhall (within the jurisdiction of Midlothian Council) are located adjacent to the south east, immediately beyond The Wisp. The A6106 (The Wisp) is adjacent to the east of the site and forms the boundary with Midlothian Council. The areas of Craigmillar, Greendykes and Niddrie are situated to the north. New residential properties are currently under construction adjacent to the north of the site in the vicinity of Greendykes.

The Edmonstone Local Biodiversity Site straddles part of the southern boundary and is noted for its mixture of woodland, grassland and arable habitats that support a number of locally notable plants. The Craigmillar Castle Hill and Hawkhill Wood Local Biodiversity sites overlap with the north-western part of the site and is noted for a mixture of woodland and grassland habitats.

The southern portion of the site is contained within the Inventory of Designed Landscapes and is a Nature Conservation Site. These designations are included in the Second Proposed Local Development Plan, where the site is also identified as a being within a candidate Special Landscape Area (cSLA).

The East Lodge is a category B listed building (LB reference: LB49519, listed on 10 July 2003) and is located within the site at the partially constructed road on the south east corner. Also within the site is the Home Farm Enclosure, which is a scheduled ancient monument (SAM).

The ruins of the former Edmonstone House are located to the south of the site.

2.2 Site History

Relevant applications within the area:

14 February 2008 - outline planning permission for an 80 bed private hospital on the site of the former house, granted subject to a legal agreement to secure the reinstatement of the designed landscape including use of the policies as a country park and transport contributions (application number: 04/03551/OUT).

27 July 2010 - outline planning permission for a residential care village on the field to the south of the hospital site (and south and west of this application site), granted subject to a legal agreement to secure a landscape strategy and transport contributions (application number: 08/00934/OUT).

27 July 2010 - outline planning permission for the erection of a care home in the walled garden (to the west of this site), granted subject to a legal agreement to secure a landscape strategy and transport contributions (application number: 08/00936/OUT).

6 December 2011 - Proposal of Application Notice for residential development of two storey houses with associated roads and landscaping on land to the west of the site (and access to the north) (application number: 11/03928/PAN).

8 November 2011 - full planning permission granted to form access road at the north of the site to serve private hospital, care home, care village (application number: 11/02143/FUL).

11 November 2011 - listed building consent granted to relocate existing stone gate posts at the East Lodge (application number: 11/02145/LBC).

6 June 2012 - section 42 application to extend the outline hospital consent (04/03551/OUT) for a further 3 years, approved subject to a legal agreement to deliver the landscape restoration and remaining transport matters in accordance with the original hospital consent. The legal agreement has not been signed (application number: 12/00764/FUL).

11 October 2012 - planning permission for residential development with associated roads and landscaping refused on land largely to the west of the site in the walled garden and eight acre field. The decision to refuse the application was appealed to the Scottish Ministers. The appeal was allowed, subject to a legal agreement, and a decision notice was issued on 20 September 2013 (application number: 12/01624/FUL).

3 April 2013 - Proposal of Application Notice submitted covering a wider site for residential development and ancillary uses and formation of community parkland (application number: 13/00928/PAN).

5 November 2013 - Proposal of Application Notice submitted for an amendment to existing consent 12/01624/FUL for residential development to amend housing mix on land largely to the west of the site (application number: 13/04630/PAN).

23 December 2013 - application submitted on the same site for a cemetery, crematorium, memorial garden, chapel of rest and associated development (application number: 13/05302/PPP).

15 April 2014 - listed building consent granted to alter and renovate derelict listed south lodge (545 Old Dalkeith Road) to form single dwellinghouse, with associated access and landscaping (application number: 14/00695/LBC).

24 April 2014 - application granted for renovations and alterations to the listed south lodge (545 Old Dalkeith Road) to form single dwellinghouse with associated accesses and landscaping (application number: 14/00694/FUL).

25 November 2014 - application granted to amend existing consent 12/01624/FUL (residential development) to revise housing mix and elevations (application number: 14/00578/FUL).

12 February 2015 - Reporter from the Department of Planning and Environmental Appeals granted planning permission in principle for residential development, ancillary uses and associated development (application number: 14/01057/PPP).

23 April 2015 - planning permission was granted for ground stabilisation works (application number: 14/01166/FUL).

23 April 2015 - application granted for a cemetery (including provision for woodland burials), memorial garden, chapel of rest and associated development (application number: 13/05235/PPP).

9 July 2015 - Proposal of Application Notice submitted for development of public parkland on part of the site covered by this PAN (application number: 15/03231/PAN).

26 May 2016 - Development of an area of existing open space into public parkland. This is to include new active travel links with lighting, paths, landscaping, habitat creation/enhancement and tree planting (application number: 16/02661/FUL).

Main report

3.1 Description of the Proposal

The proposal is for planning permission in principle for approximately 770 new residential units, a new primary school, parkland and community facilities (potentially comprising a doctor's surgery or local shop).

The residential development is proposed to be distributed across nine development plots and is proposed to comprise a range of property sizes and types including semi-detached, detached, terraced and flatted properties. It is anticipated that the building heights would range between two and four storeys.

The area for the primary school is located on the south-eastern part of the application site and extends to approximately 2.43 hectares.

Also proposed is a series of linked open spaces, grassed areas and tree, shrub and hedge planting. Parkland is proposed to be maintained at the far west of the site, closest to Craigmillar Castle. Also remaining is the existing wetland adjacent to the hospital car park, and an area between the Edinburgh BioQuarter and proposed houses, forming a linear park.

Access is proposed to be taken via three vehicular access points on the Wisp. This includes the existing approved access road, which is currently under construction.

Supporting Information

An Environmental Statement was submitted with the application and included issues of noise, air quality and cultural heritage. Further supporting statements were submitted including:

- Pre Application Consultation Report;
- Sustainability Statement;
- Transport Assessment;
- Planning Statement;
- Landscape and Visual Impact Assessment;
- Design and Access Statement.

These documents are available to view on the Planning and Building Standards Online Service.

3.2 Determining Issues

Section 25 of the Town and Country Planning (Scotland) Act 1997 states - Where, in making any determination under the planning Acts, regard is to be had to the development plan, the determination shall be made in accordance with the plan unless material considerations indicate otherwise.

Do the proposals comply with the development plan?

If the proposals do comply with the development plan, are there any compelling reasons for not approving them?

If the proposals do not comply with the development plan, are there any compelling reasons for approving them?

3.3 Assessment

To address these determining issues, the Committee needs to consider whether:

a) the principle of residential development is acceptable;

b) there is an effective 5 year housing land supply;

c) this is an effective housing site;

d) the proposed development is premature;

e) the proposed development would prejudice the wider strategic development of other land, including land within the adjoining local authority areas;

f) there are any infrastructure constraints;

g) the proposal would have acceptable transport impacts;

h) the scale, design and layout of the proposed development is acceptable;

i) the development would have an adverse impact on the landscape, including the historic landscape;

j) the proposal would have an adverse impact on the biodiversity or ecology of the area;

k) there is sufficient amenity for existing neighbours and future occupiers, and the affordable housing provision is acceptable;

l) the proposal would raise drainage, flooding, ground stability or contamination issues;

m) the proposal would have any detrimental air quality impacts;

n) the development would have any adverse impact on any archaeological remains or the scheduled ancient monument;

o) the proposal would meet sustainability criteria and contribute towards sustainable economic development;

p) the proposal would have any equalities or human rights impacts; and

q) the comments raised by third parties have been addressed.

a) <u>The Acceptability of the Development in Principle</u>

Section 25 of the Town and Country Planning (Scotland) Act 1997 states that any determination under the Planning Acts should be made in accordance with the development plan, unless material considerations indicate otherwise. In this case, the development plan comprises the South East Scotland Strategic Development Plan (SESplan) and the adopted Edinburgh City Local Plan. Other material considerations include the emerging Edinburgh Local Development Plan and Scottish Planning Policy (SPP).

Conformity with SESplan

SESplan was approved in June 2013. The Spatial Strategy sets out locational priorities for development up to 2024 and gives a broad indication of the scale and direction of growth up to 2032. Policy 1A, supported by Figure 1, identifies the Strategic Development Areas (SDAs) where there will be a focus on development and to which new strategic development is to be directed. These locations maximise the potential for development, meeting sustainability and environmental objectives.

Policy 1B (Spatial Strategy Development Principles) sets out the broad principles for LDPs in bringing development forward. Broadly, these principles seek to protect areas with national and local environmental designations and conserve and enhance the natural and built environments.

The application site is located within the South East Edinburgh Strategic Development Area (SDA). Although this means that the location of the site does not conflict with SESplan's overall spatial strategy, this does not mean that all land within the SDA is suitable for housing development in principle. Paragraph 46 of the SDP confirms that the scale of any additional housing allocations will be determined through local development plans (LDPs) following the preparation of SESplan supplementary guidance, taking into account environmental and infrastructure constraints. The SDP requires the definition in LDPs of a green belt around Edinburgh for a number of stated purposes. Several areas of significance to the Edinburgh Green Belt lie within the South East Edinburgh SDA, and SDP Policy 1A requires LDPs to take account of such environmental constraints. This is assessed further below.

SDP Policy 12 (Green Belts) continues to require that the relevant Local Development Plans define and maintain a green belt around Edinburgh. Paragraph 129 of the Strategic Development Plan further states that in preparing Local Development Plans, authorities should seek to minimise the loss of land from the green belt and effort should be made to minimise the impact on green belt objectives and secure long term boundaries.

Criterion a) of Policy 12 aims to maintain the identity and character of Edinburgh and Dunfermline and their neighbouring towns, and prevent coalescence, unless otherwise justified by the local development plan settlement strategy. This proposal has the potential to undermine the identity and character of Edinburgh due to its prominent location. It would sever the greenspace into Midlothian and prejudice the delivery of the Holyrood to Dalkeith green network as set out in the SESplan Main Issues Report. It would also be detrimental as it would result in the coalescence of settlements due to the proximity of Danderhall in Midlothian. The development would therefore not meet the first criterion.

Criterion b) states that one of the purposes of the defined Edinburgh Green Belt is to 'direct planned growth to the most appropriate locations and support regeneration'. Since the proposal does not conform in principle to the existing development plan or the Second Proposed Local Development Plan, this application does not constitute planned growth. The Environmental Report (2013) that supports the Second Proposed Local Development Plan assessed part of this site in terms of its suitability for development (identified as South East Wedge Parkland, North). The assessment concluded that through the realisation of the parkland proposals, this site will have an important role in providing open space and path routes connecting the settlements of Little France, Danderhall and Craigmillar. It was therefore not considered appropriate for housing development. In addition, a release of additional greenfield sites ahead of the Local Development Plan would be likely to undermine the redevelopment of brownfield sites, and so would not support regeneration. The proposal does not therefore meet the second objective.

Criterion c) states that maintaining the landscape setting of Edinburgh is one of the purposes of the green belt. This proposal does not maintain this landscape setting due to the prominent nature of the site. Development of the site's ridge top location would impact upon the wider landscape setting of the city. The site is visually prominent in views from Craigmillar Castle and throughout the city skyline from the surrounding road network. The landform visually contains the existing urban edge and provides an undeveloped skyline in eastward views. In views from within the site, parkland forms a foreground element in views towards the city with a near continuous backdrop of Edinburgh's hills. The impact on the landscape is further assessed in 3.3(h) below.

Criterion d) states that green belts should 'Provide opportunities for access to open space and the countryside'. The proposals would remove a large area of parkland, although some areas of open space would remain. The resultant areas of parkland would provide some amenity, however the loss of the larger area of parkland would remove an opportunity to create strategic open space for residents of the wider area. The delivery of a strategic area of open space in this location has been a fundamental aim of the Edinburgh City Local Plan, the Craigmillar Urban Design Framework and the emerging Edinburgh Local Development Plan. The site also forms an important part of the Central Scotland Green Network (CSGN), as contained within National Planning Framework 3 (NPF3).

The provisions of SDP policy 12 confirms that:

- Despite an increased need for more housing land, the Edinburgh LDP must also designate land as green belt in places where it will help meet green belt objectives; and

- This process should not be undermined by approving housing proposals on land identified as green belt in the emerging LDP.

As stated above, granting planning permission on this site would undermine green belt objectives in a number of ways. Overall, the proposal does not comply with Policy 12.

To summarise, the proposal does not comply with Policy 12 of the SDP.

Edinburgh City Local Plan

As the site lies within the green belt, policy Env 10 is relevant to the assessment of the proposal.

Criterion a) of Env 10 states that development in the green belt will not be permitted except for 'purposes of agriculture, woodland and forestry, or for a countryside recreational use that is compatible with an agricultural or natural setting'. The proposal for residential development does not conform with the above uses and as such does not comply with criterion a) of Env 10.

Criteria b) and c) apply only to existing buildings and existing non-conforming uses within the green belt and are therefore not relevant in the assessment of this application.

In addition to being contrary to green belt policy, the proposal does not comply with policy Hou 1. Criterion d) of Hou 1 specifies that housing development will be permitted on other suitable sites within the urban area, if proposals are compatible with other plan policies. This site is not within the urban area and therefore does not comply with Policy Hou 1.

To summarise, the proposal does not comply with Edinburgh City Local Plan policies Env 10 and Hou 1.

Proposed Local Development Plan

The first Proposed LDP was published in March 2013. It identifies the site as being within the green belt.

The representation period for the first Proposed LDP ran from 1 May to 14 June 2013. During this time, representations were received from over 2200 individuals and organisations. No representations were made regarding this site. Representations were made regarding the sites to the immediate north, where an appeal (appeal reference: 230-2129) was allowed at the Wisp; and land to the south, where the appeal for the Edmonstone Policies was allowed (appeal reference: 230-2131). The representations to these sites included comments from the applicant, SEPA and Scottish Natural Heritage (SNH). The applicant stated that the site should be removed from the green belt and allocated as a housing proposal due it being an effective housing site within the South East Edinburgh SDA. SNH commented that open space proposal GS 4 (South East Wedge) forms part of major landscaping in the area and the site is also in the LDP as a major green network link. There will therefore be significant positive benefits to Objective 8 (Landscape and Townscape) and also Objective 1 (Biodiversity, Flora and Fauna) of the Environmental Report, Volume 1 if proposal GS 4 is realised.

The Second Proposed LDP was approved by Planning Committee on 19 June 2014. The plan continues to identify the site as being within the green belt. Policy Env 10 (Development in the Green Belt and Countryside) only permits new development for the purposes of agriculture etc or where a countryside location is essential. The proposal is contrary to this policy and is also contrary to Policy Hou 1 (Housing Development) which indicates where housing development will be supported.

The application site was assessed in the Environmental Report, Second Revision for the LDP as an available potential greenfield housing site but was determined to be an unsuitable site for housing development due to its strategic importance as parkland.

Therefore the proposal is contrary to policies ENV10 and Hou1.

Scottish Planning Policy 2014 (SPP)

SPP introduces a presumption in favour of development that contributes to sustainable development. Paragraph 110 of SPP states that the planning system should:

- identify a generous supply of land for each housing market area within the plan area to support the achievement of the housing land requirement across all tenures, maintaining at least a five-year supply of effective housing land at all times;
- enable provision of a range of attractive, well-designed, energy efficient, good quality housing, contributing to the creation of successful and sustainable places; and
- have a sharp focus on the delivery of allocated sites embedded in action programmes, informed by strong engagement with stakeholders.

The Edinburgh City Local Plan was adopted more than five years ago, in January 2010. Paragraph 33 of Scottish Planning Policy (SPP) states that where a development plan is more than five years old, the presumption in favour of development that contributes to sustainable development will be a significant material consideration. SPP Paragraph 29 lists a number of sustainable development principles which should be used to guide decisions.

SPP states that the planning system should support economically, environmentally and socially sustainable places by enabling development that balances the costs and benefits of a proposal over the longer term. The aim is to achieve the right development in the right place, it is not to allow development at any cost.

This means that policies and decisions should be guided by the following principles:

- giving due weight to net economic benefit;
- responding to economic issues, challenges and opportunities, as outlined in local economic strategies;
- supporting good design and the six qualities of successful places;
- making efficient use of existing capacities of land, buildings and infrastructure including supporting town centre and regeneration priorities;
- supporting delivery of accessible housing, business, retailing and leisure development;

- supporting delivery of infrastructure, for example transport, education, energy, digital and water;
- supporting climate change mitigation and adaptation including taking account of flood risk;
- improving health and well-being by offering opportunities for social interaction and physical activity, including sport and recreation;
- having regard to the principles for sustainable land use set out in the Land Use Strategy;
- protecting, enhancing and promoting access to cultural heritage, including the historic environment;
- protecting, enhancing and promoting access to natural heritage, including green infrastructure, landscape and the wider environment;
- reducing waste, facilitating its management and promoting resource recovery; and
- avoiding over-development, protecting the amenity of new and existing development and considering the implications of development for water, air and soil quality.

In terms of assessing the proposal against these principles of SPP, the applicant has provided justification as to why this site is suitable for development based on the contribution it would make towards sustainable economic development. This is assessed in (o) below. The applicant states that investment in construction would occur as jobs are created during the construction period. In addition, the appellant argues that the site would result in an increase in economically active people in the area, which would support increased expenditure on local services.

While it is acknowledged that construction jobs could be created as a result of this development, this site has been considered in line with green belt objectives and SPP. The key aim of SPP is to deliver sites in a plan-led manner and as SPP sets out, the aim is to achieve the right development in the right place; it is not to allow development at any cost. The potential economic benefits of developing this site cannot outweigh the environmental cost and impact on the landscape setting of the City.

Conclusion on Principle

In conclusion, the application is in accordance with the overall spatial strategy of the SDP as it is located within the Strategic Development Area.

However, the development is contrary to policies Env10 and Hou1 in the ECLP and is therefore a departure from the adopted Local Plan. While Scottish Planning Policy and the Strategic Development Plan require a five year effective housing land supply to be maintained at all times, there is no justification for housing development on this site as the housing land supply is being met through the Local Development Plan.

The proposal is also contrary to policies ENV10 and Hou1 of the Second Proposed Local Development Plan.

The proposal is a significant departure from the Development Plan and the Council has an interest in the site as it is the current land owner. Notification to Scottish Ministers would be required if this application was granted.

b) The Five Year Effective Housing Land Supply

SESplan Policy 5 sets out the policy framework for the identification and development of housing land. It identifies that, for the period from 2009 up to 2024, there is a requirement for housing land to enable 107,545 houses to be built across the plan area, including on land which is committed for housing development. The requirement for the period 2009 to 2019 is 74,835 houses. Supplementary guidance provides detailed information for LDPs as to how much of that requirement is to be met in each area in the periods 2009 to 2019 and 2019 to 2024. Policy 5 also states that LDPs are to allocate sufficient land which is capable of becoming effective and delivering the scale of the housing requirements for each period.

For the period 2009-2019, sufficient land within the City of Edinburgh requires to be allocated to facilitate the development of 22,300 houses and in the period 2019-2024, land for a further 7,210 houses.

The five-year effective land supply is defined as the expected number of completions on all effective sites over the following five-year period. As such, the contribution to the effective land supply of a particular site is dictated to a large extent by the marketing strategy of the developer. A site may be completely clear of any form of planning or physical constraint but if, for marketing or other reasons, a developer intends to limit the pace of development, only a fraction of the site contributes to the effective supply.

Expected completions will drop (or increase) in reaction to market forces. Assessing the extent of the effective land supply purely on expected completions takes no account of shifts in the economy and market demand. If demand drops, completion rates will decrease lowering the supply of effective land. This then has the contradictory effect of requiring additional land to be identified and allocated.

There are a number of documents, reports and decisions which are relevant when considering whether there is a five year effective housing land supply. These include PAN 2/2010, the Housing Land Audit 2015 (reported to the Planning Committee on 3 December 2015), the 14 December decision by SESplan Joint Committee and the Draft Planning Delivery Advice on housing and Infrastructure (February 2016). These are considered below.

Planning Advice Note (PAN) 2/2010

PAN 2/2010 provides guidance to planning authorities on Affordable Housing and Housing Land Audits (HLA). With regard to HLAs, the PAN notes that in order that a five-year ongoing effective land supply is available to meet the identified housing land requirements, planning authorities should carry out regular monitoring of housing completions and the progress of sites through the planning process. The PAN advises that this can be achieved through the preparation of a housing land audit, carried out annually by the planning authority in conjunction with housing and infrastructure providers. Furthermore, an annual audit is considered important so that it reflects the changing nature of housing markets and market conditions and that the forecasts for estimated house completions over the five year period remain robust and realistic. This guidance is under review and revised guidance was published in February 2016, in draft for consultation purposes.

CEC Housing Land Audit 2015: Report to 3 December 2015 Planning Committee

SDP Policy 6 and Scottish Planning Policy require the Council to maintain a five year effective housing land supply. On 3 December 2015, Planning Committee considered a report on the Housing Land Audit (HLA) and this was presented with a housing land supply commentary. This showed how programmed completions and consequently the five-year effective land supply fell sharply during the recession even though the overall stock of effective land remained broadly constant.

The report to the Planning Committee concluded that the City of Edinburgh does not have an effective 5 year housing land supply based on the current calculation method. However the Council is of the view that a revised approach to calculating effective supply should be applied, focussed on land availability rather than solely on the programming of housebuilding.

Within the Council's area, there is land with planning support (allocated in plans and/or with planning permission) and free of planning constraints for around 30,000 homes. This includes the sites in the Second Proposed LDP but not the application site. This compares with a housing land requirement for the period 2009 to 2024 of just over 20,000 units, net of completions since 2009. This large amount of 'effective' housing land is varied in type, size and location. It includes brownfield and greenfield sites and is spread over a range of locations and different tenures and formats of housing.

Assessing the adequacy of the effective land supply using lower levels of completions, based on developer-programmed completions achieved during and emerging from a recession, artificially reduces the perceived supply and increases the scale of additional housing land required. Where there is high availability of unconstrained housing land and completions are driven primarily by wider economic and market factors, the response of releasing additional land is considered inappropriate.

The Council's approach to the calculation of its five year housing land supply has not always been supported in recent appeal decisions. The position set out above reflects the need to meet housing land requirements for the two separate SDP period (2009-2019 and 2019-2024) which reflects the outcome of the recent appeals in Balerno and South East Edinburgh. A revised approach is supported by the SESplan Joint Committee which at its meeting on 14 December 2015, noted "the difficulty in maintaining the 5-year effective supply in Edinburgh is not related to a shortage of unconstrained land in that area". The Scottish Government's Draft Planning Delivery Advice on Housing and Infrastructure (February 2016) is also generally compatible with a revised approach to calculating the five year effective housing land supply.

Based on the Housing Land Audit 2015 and a revised method of calculation, there is an effective five year housing land supply in City Of Edinburgh.

On this basis, SDP Policy 6: Housing Land Flexibility is met and Policy 7: Maintaining a Five Year Housing Land Supply does not apply as there is a five-year effective housing land supply in the Council's area.

Calculation of Housing Land Supply

As there is an effective five year housing supply, it is not necessary to consider this application in terms of SDP Policy 7. However, given the outcome of previous appeal decisions in terms of Edinburgh's five year effective supply and the draft status of government advice, an assessment against this policy has been undertaken and is set out below.

This policy sets out the basis for maintaining a 5 year supply of housing land. It states that greenfield housing proposals either within or outwith identified SDAs may be allocated in LDPs or granted planning permission to maintain a five year effective housing land supply subject to the following three criteria being satisfied:

a) Development will be in keeping with the character of the settlement and local area;
b) Development will not undermine green belt objectives; and
c) Additional infrastructure required as a result of the development is either committed or to be funded by the developer.

In terms of these criteria, a comprehensive assessment of all available greenfield land in South East Edinburgh, including this site, was undertaken to inform the LDP and is set out within its accompanying Environmental Report. The site has been assessed and is currently not a reasonable site for development. This is due to the fact that the site is visually prominent in views of the City's skyline and development would affect the wider landscape setting of the City. Consequently, green belt objectives will be undermined if development is permitted at this site. The proposal is therefore contrary to criteria a) and b) of SDP Policy 7 and is not supported.

Draft Planning Delivery Advice on housing and Infrastructure (February 2016)

The Scottish Government issued the Draft Planning Delivery Advice for consultation in February 2016. The advice is intended to supersede that in PAN 2/2010. The Planning Committee considered the new advice at its meeting of 25 February 2016 and agreed the Council's response to the draft advice. This includes changes to how effective housing land is measured. These changes are generally compatible with the Council's approach as described above.

The draft advice also sets out new guidance emphasising how infrastructure investment to support housing delivery should be co-ordinated through the development plan process.

Summary of housing land supply position

In summary, low housing completion rates during and emerging from a major economic recession are an inappropriate measure of whether additional housing land needs to be released. In Edinburgh, in recent years, build rates have been pushed down by factors unrelated to the availability of unconstrained land. In these circumstances, the response of allocating or releasing more land cannot address the underlying problems. It does, however, undermine the city's plan-led development strategy and increase the difficulty of planning for and delivering necessary infrastructure.

c) Effectiveness of the Site

Planning Advice Note (PAN) 2/2010 sets out a number of criteria which should be used to establish whether a site is effective. It notes that not all of the sites in the housing land audit will be effective, and it is important that the audit distinguishes effective, i.e. unconstrained sites, from those that are affected by constraints which cannot be overcome in time to contribute to the housing land requirement. The decisions and assumptions around effectiveness and programming are crucial to the accuracy and usefulness of the data in the audit and therefore merit careful consideration.

To assess any site (or a portion of a site as being effective), it must be demonstrated that within the five-year period beyond the date of the audit, the site can be developed for housing (i.e. residential units can be completed and available for occupation) and will be free of constraints on the following criteria of ownership, physical, contamination, deficit funding, marketability, infrastructure and land use. These are discussed in turn.

Ownership: This site is within Council ownership and therefore not in the ownership of the applicant. However, the land may be sold to the applicant if planning permission was granted. Thereafter, the applicant would be expected to submit further applications for matters specified in conditions. It is not clear if the site could then be developed within a reasonable timescale in order to make an effective contribution to the five year housing land supply for the period under consideration.

Physical: This site has a number of physical constraints relating to slope, aspect, flood risk, ground stability, former mine workings and vehicular access. These would require to be resolved prior to the construction of development.

Contamination: The site may have some level of contamination. This is examined in (h) below.

Deficit funding: There is no public funding required to make residential development economically viable on this site. Although the site contains an area for a new school, a new primary school would only be required if the development were to proceed; a new school would not be required if the development was refused planning permission. In addition, the delivery of the school would have to be linked with the construction of the housing in order to ensure that there is sufficient space to accommodate the additional pupils arising from the development.

Marketability: The proposal is for approximately 770 units. Current build rates per site are around 50 units per site per year and therefore there is no evidence to suggest that this site will be entirely developed in the five-year period under consideration.

Infrastructure: This is examined in (f) below as the required infrastructure should be provided by the developer to accommodate the development.

Land Use: The site is expected to provide a new parkland in order to serve the new Greendykes housing to the north and the Edinburgh BioQuarter to the south, as well as providing a green network from Holyrood to Dalkeith. This site is important in maintaining greenspace linking to Midlothian Council's area, and in particular the Shawfair development. Housing is therefore not the preferred use of this site.

On balance, it can be concluded that this site is not effective in terms of the criteria contained within PAN 2/2010. This is based on the assumption that physical site constraints and land ownership would prevent the site in making a contribution to the housing land supply.

d) Prematurity

At paragraph 34 the SPP states that where a plan is under review, it may be appropriate in some circumstances to consider whether granting planning permission would prejudice the emerging plan. Such circumstances are only likely to apply where the development proposed is so substantial, or its cumulative effect would be so significant, that to grant planning permission would undermine the plan-making process by predetermining decisions about the scale, location or phasing of new developments that are central to the emerging plan. Prematurity, the SPP notes will be more relevant as a consideration the closer the plan is to adoption.

The issue of prematurity has been a feature in two recent appeal decisions in west Edinburgh which are material to the consideration of this application, namely those at Cammo Walk and Craigs Road.

In June 2015, Scottish Ministers dismissed an appeal against the non-determination of a planning application at Cammo Walk (application reference: 14/01776/PPP) and hence refused planning permission for up to 670 dwellings. In dismissing the appeal Scottish Ministers took the view that in the circumstances of the case there was sufficient prejudice to the proposed LDP that consent should be refused at that time. Scottish Ministers considered that the wider transport infrastructure implications of the proposed LDP, including the cumulative effects of the application proposals and other proposed allocations on transport infrastructure in the West Edinburgh area, had yet to be considered through the LDP examination process.

At that time, the commencement of the LDP examination was imminent and the Scottish Ministers did not accept the reporter's overall conclusion that the harm to the emerging LDP was outweighed by the advantages of the scheme (appeal reference: PPA-230-2134). The decision is the subject of judicial review in the Court of Session.

In another case, an appeal against the refusal of planning application 14/03502/PPP for up to 250 dwellings at Craigs Road (part of LDP Housing Proposal HSG19: Maybury) was dismissed in December 2015, on the grounds that granting planning permission in principle for a small part of one of the sites which may be allocated in the plan would be premature. The Reporter, in arriving at her decision, noted that the issue of infrastructure provision, including that required to serve sites in West Edinburgh, was discussed at the LDP examination hearing sessions [18 and 19 November 2015] and that, even though site HSG 19 is identified in the proposed plan, the Council's Planning Committee had subsequently stated that it sees merit in the representations seeking a reduction in the capacity of this site and also that there is merit in the representation promoting another site (East of Millburn Tower) as a housing allocation. Consequently, she observed, Reporters appointed to examine the LDP proposals and representations might not confirm the allocation of site in the Plan. The Reporter stated that she was mindful of the interconnected nature of the sites in this part of Edinburgh and, in particular, of their infrastructure requirements. Furthermore, she noted that these issues are an important part of the discussions which have taken place at the LDP hearing sessions and will be covered in the report of the examination and concluded that prejudging the issue and granting planning permission in principle for the proposed development at the appeal site at this stage would undermine the plan-making process.

Conclusion on Prematurity

The application is for approximately 770 dwellings. This is significantly larger in terms of housing numbers than the two sites previously mentioned and it is likely to have an impact on cumulative infrastructure requirements, in particular in relation to transport within Edinburgh and also Midlothian. In this regard, it may prejudice the emerging local development plan. Also, the Scottish Ministers' examination of the LDP is nearing completion and their report is imminent. These circumstances add weight to the conclusion that this application is premature.

e) <u>The Wider Implications of the Development of this Site</u>

The location of this site is important in strategic terms due to the proximity of the boundary with Midlothian Council and the proposals for open space and links to the Shawfair Masterplan site. The area under the jurisdiction of Midlothian Council is located to the immediate east of the application site and includes The Wisp.

The proposed Midlothian Local Development Plan (MLDP) shows a large area of green space extending from The Wisp to the Borders Railway Line. The text accompanying the MLDP regarding Shawfair states that:

> "The Shawfair development was designed to fit in the landscape avoiding development which might breach ridgelines. The Masterplan includes substantial open space provision to form the setting for the communities, including a central 'green' corridor, which provides a link through to open space in the Edmonstone area of Edinburgh. This is a valuable green network which should be safeguarded and enhanced where possible." (Proposed Midlothian Local Development Plan, chapter 8 'Settlement Statements'.)

The Shawfair Masterplan shows a green network of paths across the open space, and in particular it shows a path connecting to The Wisp. The overall aspiration for this large green network is to provide safe off-road routes through from Midlothian through to Edinburgh into the City Centre.

While this aspiration could still be achieved through the delivery of a housing proposal, the applicant has not shown a path or link in an appropriate location to enable a continuous cycle route to/from Midlothian. In addition, there is not a green link of any considerable size that would visually encourage walkers or cyclists to enter the site.

f) <u>Infrastructure Constraints</u>

The two main infrastructure issues relating to this site are transport and education.

The Second Proposed Action Programme (Updated May 2015) accompanies the Second Proposed LDP and sets out how the authority proposes to implement the LDP by aligning its delivery with corporate and national investment in infrastructure.

The Action Programme sets out actions to help mitigate the impact of strategic and planned growth and to deliver the policies and proposals identified in the Proposed Plan.

This site is identified as being within the South East Edinburgh Strategic Development Area. Within this area, there are site-specific actions identified for this application site.

Education

In line with the 'Developer Contributions and Affordable Housing' guidance approved by the Planning Committee on 3 December 2015, a city-wide cumulative assessment of housing land capacity and education infrastructure has been prepared. Following the completion of this study, education actions required to mitigate the impact of planned and anticipated housing development, including land safeguards, have been established. The collection of developer contributions towards these actions is through a Contribution Zones approach.

This site is not included in any Contribution Zone as it is not part of the catchment area for any existing non-denominational school and housing development on the site is not supported by the Local Development Plan. However, it would be appropriate to include it within the Castlebrae Education Contribution Zone, if development on the site progressed.

Draft actions to provide new education infrastructure to accommodate additional pupils, expected to be generated by new development, have been prepared for this Zone. These actions include the provision of a new primary school at Brunstane, additional classrooms at existing primary schools, and increased capacity at Castlebrae Community High School.

However, these actions did not account for housing development on this site and the number of pupils expected to come from this development could not currently be accommodated. There is therefore an additional requirement for a single stream primary school, and additional secondary school capacity to accommodate 116 more pupils (Castlebrae High School).

In relation to the 24 Roman Catholic pupils expected to be generated by the development, the site is within the catchment of St John Vianney RC Primary School. This school is expected to face accommodation pressures and contributions towards increasing its capacity are being taken from developments in Liberton/Gilmerton. However, the RC primary school which generally serves the Craigmillar area is St Francis' RC Primary School. A catchment review would be required to put the site within the St Francis' RC Primary School area and additional accommodation would be required as committed developments are expected to take up spare capacity at this school (which shares a campus with Niddrie Mill Primary School). An additional classroom at either St Francis' RC Primary School or St John Vianney Primary School is therefore required to mitigate the impact of the proposed development.

Payment of the standard contribution for the Craigmillar part of the Zone would not provide sufficient funding to ensure that the infrastructure can be delivered and therefore, in line with the Developer Contribution and Affordable Housing guidance (Dec 2015), a non-standard contribution is required. The guidance states that where a site is not included within the predicted levels of housing development and it will result in the requirement for a classroom extension or a new school to accommodate pupils generated from the development, it is likely that these additional costs will be required to be borne by the additional site or developer.

The applicant has indicated that a new primary school could be delivered on the development site. Therefore, Communities and Families would require the developer to provide the following:

- £7,591,930 (as at Q1 2015) to deliver a single stream primary school and 30/30 nursery;
- 2 ha fully serviced and remediated primary school site (at a location to be agreed with Communities and Families);
- £350,000 (as at Q1 2015) for a one class RC primary school extension; and
- £3,723,089 (as at Q1 2015) towards the provision of additional secondary school accommodation;

(All contributions shall be index linked based on the increase in the BCIS All-in Tender Price Index from Q1 2015 to the date of payment.)

If the appropriate contributions and the necessary fully serviced and remediated site for a new primary school (at a location to be agreed with Communities and Families) is to be provided by the developer, Communities and Families does not object to the application in principle.

The applicant has agreed to pay the appropriate levels of contributions towards the relevant education infrastructure actions.

Transport

In line with the approach set out in SPP, the transport infrastructure enhancement requirements arising from the planned growth set out in the Second Proposed LDP have been assessed by a transport appraisal which accompanies the LDP and informs its Action Programme. The Transport Infrastructure Appraisal (June 2013) provides a cumulative assessment of the additional transport infrastructure required to support the new housing development identified within the LDP. Where cumulative impacts have been identified, transport infrastructure to mitigate the impact of the development are established. Contribution Zones are used to collect developer contributions equitably towards these actions.

The Council's Transport Action Programme indicates that development in this area will require to contribute to transport interventions. However, it is unclear whether the additional traffic from this site can be accommodated within the improvement works set out in the Action Programme.

Conclusion

The educational infrastructure for the site requires a significant financial contribution. If the costs as above can be met fully by the applicant, this is acceptable.

However, it has not been sufficiently demonstrated that additional traffic arising from this site could be accommodated.

g) Transport Impacts

This site is not proposed within the LDP. Therefore, its transport impact on the strategic road network has not been assessed cumulatively. In addition, whilst the applicant has considered the impact of committed development, the cumulative impact of this site in combination with other developments has not been been assessed. SPP outlines that this should include existing developments of the kind proposed, those which have permission, and valid applications which have not yet been determined.

The transport impacts of the development have therefore not been fully assessed. However, if planning permission was granted, further information could be requested through an appropriate planning condition.

h) Scale, Design and Layout

The application is for planning permission in principle and therefore detailed designs have not been submitted. However, the application was supported by a Design and Access Statement, showing principles of how the site could be developed. This formed the basis for discussions with the applicant and during the assessment of the application, meetings were held with the architect and project team. Despite these meetings, no meaningful changes were made to the layout and design concepts, contrary to advice that was offered.

A draft revised Design and Access Statement was then submitted on 20 May 2016, showing a larger landscape buffer between the BioQuarter and proposed new housing. However due to timescales, and the applicant's request that the application be reported to the Development Management Sub-Committee in June, there has been no time to consider how these changes may affect the landscape and visual impact of the development in any detail. Nevertheless, the applicant has proposed a condition that could be applied relating to the submission of a masterplan if planning permission was granted.

If the application is granted, a condition would be required that would enable the submission of a masterplan that would demonstrate accordance with Scottish Govenment guidance on masterplanning, design and placemaking, as well as Council policies and guidance. In terms of the suitability of this condition, it would be preferable on a site of this strategic importance and large-scale housing number that basic design principles and parameters are agreed at the planning permission in principle stage. It would not be the preferred approach to add a condition requiring the submission of a masterplan prior to any work commencing on site.

PAN 83 (Masterplanning) states that a masterplan is generally employed where there needs to be a greater degree of certainty regarding the development of a specific site, and is linked to social and economic analysis and a delivery strategy. Although a masterplan may specify more detailed principles such as building heights, spaces, movement, landscape type and predominant uses, it does not necessarily preclude a degree of flexibility in designs within the plan.

The Design and Access Statement that was submitted in support of the planning application does not suitably demonstrate how the development of this site could happen and therefore does not give sufficient comfort that the site can be delivered to produce a high quality, integrated, urban environment.

While detailed proposals could come forward in further applications, if planning permission in principle was granted, the level of detail as submitted is not sufficient to make a full and informed assessment that the proposals can be deliver a high quality sustainable place.

This is therefore contrary to policy Des 1 (Design Quality and Context) which requires development to demonstrate that the proposal will create or contribute towards a high quality, sustainable living environment.

Scottish Planning Policy 2014 (SPP) contains policy principles in relation to placemaking. It states that 'planning should take every opportunity to create high quality places by taking a design-led approach'. This application includes a concept masterplan and a design statement. The concept masterplan is a series of standard housing layouts imposed upon the plan. The design statement provides no greater detail and states that all aspects will be agreed at a later stage. If this site is to be developed, it should be done on the basis of a set of plans and principles which ensures that this will form a high quality and successful place. There is nothing in the submission that demonstrates how this can be achieved. To create a high quality place, sufficient detail is required at this stage to ensure key aspects, such as connections, views, landscaping, levels, can suitably resolved and delivered.

A further principle is that 'planning should direct the right development to the right place'. The design and access statement indicates that there are very few amenities for residents within a 10 minute walk distance. This would suggest that the site is not suitable for a predominantly residential development with the obvious result being high car dependency and a negative impact on infrastructure and air quality. Although there may be scope for a local shop or doctor surgery within the site, there are no details on this in terms of size or location.

Nevertheless, while it is noted that the site is remote from many services, it is also noted that there is the potential to create a sustainable transport network through this site, which in conjunction with a higher density solution could support a range of amenities within the site. A robust place-led masterplanning exercise could set out how this site could create a sustainable, well connected community which would complement the adjoining Edinburgh BioQuarter and Shawfair development and be served by off-road cycle routes, existing bus services, Shawfair rail halt and potentially the future tram proposal.

Design Conclusion

The design and layout of the proposals have not been sufficiently demonstrated in order to be supported. It is contrary to Des 1 and national guidance.

The proposals were not presented to the Edinburgh Urban Design Panel on the basis that the Panel do not wish to see proposals that are contrary to the development plan.

i) Impact on the Landscape

The impact on the landscape raises a number of concerns. Firstly, there is the consideration of the impact of development on the landscape character of the site. Then there is the impact of the development on the wider landscape setting of the City, as well as the impact of the development at a more local level. Further to these considerations is the weight which is given to the overall potential of the site to deliver a quality parkland for the residents of surrounding approved housing developments, users of the BioQuarter and the wider City. These are assessed in turn.

Landscape Character

The landscape has the potential to provide many services for the population of Craigmillar and beyond. It is part of a strategic network of green corridors and parks, designed to complement existing and new urban development. Currently, the character of the landscape is semi-rural and whilst development has encroached into the parkland, this section of the parkland remains intact. The semi-rural nature of the character has the potential to provide a relaxing, open landscape that is characterised by wildlife that is associated with the countryside. This will be damaged by the loss of parkland area. It has impressive views that are characterised by landscape features that are recognisable as Edinburgh. In the future, the scale of the park would allow for recreational activities to be developed for the benefit of local residents and other residents of Edinburgh that would not be possible in a smaller area of landscape. Loss of this landscape to development prevents the creation of a semi-rural park.

Parkland is proposed, but of a different scale. The resultant park would comprise the area at the north west of the site, the existing wetland adjacent to the hospital car park and a linear area of green space between the BioQuarter and the proposed new development. The wetland would not be useable open space in its current form and the application does not propose any changes to the wetland in terms of increasing permeability through boardwalks etc. The linear area of green space between the BioQuarter and the proposed development would not provide a sufficient buffer between the developments, or provide a parkland that would provide a strategic city-wide amenity space. The larger scale landscape could also provide recognised significant health benefits. As this character is part of the setting of the city, the significant reduction in the parkland would impact on the setting of the City and the remaining setting of Craigmillar Castle.

ECLP policy Des 1: 'Design Quality and Context' states that planning permission will not be granted for...*'proposals that would be damaging to the character or appearance of the area around it particularly where this has special importance.'* The proposals damage the open landscape character that is important as a location for recreation and amenity and is part of the National Planning Framework 3. Part of the landscape character is the experiential aspects of the character. The proposals damage the appearance of the area because the development rises to the high elevations of the ridge that is currently undeveloped at this location and allows views to the countryside beyond.

It is acknowledged that the site is surrounded by urban interventions, and views across the site looking west are interrupted by urban developments such as the hospital, BioQuarter and Greendykes. However, from higher points at the western end of the site looking eastwards, there are sweeping views of greenspace and countryside beyond. A development of the extent proposed would have a detrimental impact on these important views and landscape.

The proposal is therefore contrary to policy Des 1.

Visual Amenity

The sweeping views across the landscape from Craigmillar Castle and Hawkhill Wood draw the eye to the distant hills. These would be affected by the development on the higher elevated ground.

The undeveloped landscape connection between Craigmillar Castle parkland and the ridge is a strong visual characteristic and the views lead the eye down and up the valley. The proposal narrows this green space and it no longer appears as a landscape between development, but as a green link, not a parkland.

The existing development at Greendykes nestles into the valley bottom and its setting is the landscape that surrounds it.

ECLP policy Des 3: 'Design Development' states that development will be permitted where it is demonstrated that it will have a positive impact on setting ,....wider landscape and impact on views.

The proposals do not have a positive impact on the views. This is noted in the applicant's Landscape and Visual Impact Assessment, which indicates that the development will have a significant adverse or major adverse effect on many views. Also, it will not have a positive impact on the landscape character as, for a large part of the site, the open landscape is lost and replaced with an urban character that is not suitable for this area of landscape due to its function as potential parkland and part of the setting of the city and the role it plays in providing strategic green infrastructure of the City.

The proposal is therefore contrary to policy Des 3.

This proposal does not enhance the setting of the City. It urbanises a setting that is not urban in character. Neither does it enhance the special character of the City, where one special characteristic is the view to and from unique and distinctive landscape features that surround the city and can seen with the City as a foreground. This development blocks views to these unique landscape features and has a significant adverse effect.

The proposal is therefore contrary to policy Des 8.

ECLP policy Env 11: 'Landscape Quality' states that planning permission will not be granted for development that would damage or detract from the overall character and appearance of Areas of Great Landscape Value shown on the proposals map, prominent ridges, or other important topographical or landscape features.

The development is contrary to this policy. The LVIA submitted by the applicant assessed the development as a significant adverse affect on the landscape. It is part of candidate Special Landscape Area which has been designated for its landscape character and visual amenity, both of which will be damaged by this development.

Future Potential of the Site to Deliver Parkland

ECLP Policy Des 2: 'Co-ordinated Development' states that planning permission will not be granted for development which might compromise the effective development of adjacent land or the comprehensive development and regeneration of a wider area as provided for in a masterplan or development brief approved by the Council.

The Craigmillar Urban Design Framework showed this area for the future development of parkland to provide recreation and a setting for the designed development of Greendykes, the BioQuarter and the city. It was never envisaged that this would be lost. It is also indicated in the Greendykes masterplan as parkland, which was to provide the open space for the development for new residents.

While it is acknowledged that some parkland is proposed to be retained as part of the proposals, it is not sufficient to provide the strategic parkland as envisaged in the Craigmillar Urban Design Framework, or the multi-functional parkland/woodland, linking with parallel developments in Midlothian, as stated in Greenspace Proposal GR 4 of the Second Proposed Local Development Plan.

The proposal is therefore contrary to policy Des 2.

Historic Landscape

The Council's 2013 Craigmillar Urban Design Framework recognises the significance of the historic landscapes occupying this site, identifying it as an area of valuable open space and parkland. This is the last piece of landscape setting that was part of the original setting for Craigmillar Castle. In terms of the setting of the Castle and the designed landscape, the Environmental Statement notes that there will be a moderate/substantial adverse effect on the setting. This is contrary to ECLP policy ENV 3 (Listed Buildings - Setting) which states development will only be permitted if it is not detrimental to the appearance or character of the building or its setting.

As noted previously, there are a number of urban interventions that are prevalent in various views across the site towards the castle. However, the sweeping nature of the remaining landscape forms an appropriate visual link to the castle, and the urban developments around the castle reinforces the need to retain a substantial landscape setting.

ENV 7 (Designed Landscapes) states that development will not be permitted if it has a detrimental impact upon views to and from the site. The Historic Assessment within the Environmental Statement concludes that there would be an adverse impact on the historic landscape; specifically a major adverse impact on the elements of the Edmonstone Designed Landscape which has a high heritage value.

Historic Environment Scotland (HES) commented on the application in relation to the scheduled ancient monuments (SAMS) within the site. Although HES did not object to the proposed development in principle, it did have significant concerns about the impacts on the SAMs. In particular, HES notes that a number of the figures accompanying the Environmental Statement show areas of development impinging on the Home Farm Enclosure. While this may be due to a mapping error, HES consider that this issue should be resolved in the detailed scheme for the development.

HES also holds concerns about the lack of detail within the Environmental Statement regarding the proposed treatment of and the development of paths across the Home Farm Enclosure and Craigmillar Castle and gardens.

HES strongly advises re-designing the scheme to avoid direct impacts on these monuments. In particular, any mapping errors in relation to the scheduled area around Home Farm Enclosure should be rectified. HES would also request that detailed proposals are provided for the incorporation of the scheduled monuments into green space as part of scheme. HES would expect these to mitigate the impact of any parkland development (paths etc.).

If the mitigation requested is not provided, HES has indicated that it may object to a future application.

Landscape Conclusion

It is acknowledged that the landscape has been eroded by urban developments surrounding the site. However, this reinforces the strategic importance of the parkland in delivering an appropriate landscape setting for these urban developments. The land is also rich in features supporting biodiversity (this is discussed below), which contributes towards the character of the landscape and perceptions/experience while within the site.

While there may be some landscape capacity for development within this site at appropriate locations, the proposals in their current form are not appropriate or acceptable.

j) Biodiversity and Ecology

ECLP policy Env 16: Species Protection states that planning permission will not be granted for development that would have an adverse impact on species protected under European or UK law, unless:

a) there is an overriding public interest need for the development and it is demonstrated that there is no alternative;
b) a full survey has been carried out of the current status of the species and its use of the site;
c) any necessary licence has been obtained; and
d) suitable mitigation is proposed.

The Environmental Statement accompanying the application contained an Extended Phase 1 Habitat Survey. The main habitats on site comprise:

- Semi natural broad-leaved woodland: This is present in the western corner and extends east from the area along the northern boundary of the site. It is also present in the south and east of the site, along both sides of the existing access track from The Wisp, and forms boundaries within the site. Species include a range of mature trees, shrubs and grasses. Woodland areas on the site also have recreational and amenity value;

- Unimproved neutral grassland: Areas of unimproved neutral grassland are across the southern and eastern parts of the site and on the slope leading to the western boundary of the site;

- Semi-improved neutral grassland: The remaining grassland habitats on site show a greater degree of management and exhibit a lower diversity than the unimproved neutral grassland. This habitat is of value within the application site boundary only;

- Ephemeral short/perennial: This habitat is present in the north east of the site, colonising two large piles of deposited soil. The habitat is also present immediately to the west of a section of the dirt track traversing the southern part of the site from east to west. Dominant species include meadow grass;

- Standing water: There are four sustainable drainage system (SUDS) ponds within the site. These ponds are currently dominated by sweet canary grass and bullrush; and

- Running water: Two watercourses are located in the western section of the site. The Niddrie Burn and a drainage ditch (a tributary of the Niddrie Burn) flow from the north west to the south east across the site.

The impact of development on these habitats has been assessed in the Environmental Statement as ranging between negligible to moderate adverse. The moderate adverse impacts occur primarily to the semi-improved neutral grassland as some blocks of development are proposed here. In the absence of mitigation, the loss of this habitat would result in permanent, moderate adverse impacts at site level. Similarly, the unimproved neutral grassland has the potential to be affected by the development and is assessed as being moderate and adverse. Although no development is proposed on the areas of unimproved neutral grassland, damage can occur to these areas through littering and trampling.

Appropriate mitigation would require to be sought through the use of an appropriate condition if consent was granted.

With regards to wildlife and protected species, the applicant carried out a survey of protected, biodiversity action plan (BAP) and other notable species within and around the site. This included badgers, bats, otters and breeding birds (among others).

The survey found no evidence of badger setts but recorded feeding signs (snuffle holes) to the south and east of the site. The proposed development could result in a loss of foraging habitat for badgers. However, this could be mitigated with appropriate replacement habitats.

With regards to bats, the proposed development would result in the loss of large areas of potential foraging habitat (grassland) in the eastern portion of the site, although similar habitats in the north/north west of the site would remain undeveloped. The grassland on site offers a diverse population of plant species that would enhance foraging opportunities and the Environmental Statement recommends that the seedbank of grassland is relocated and incorporated into any future landscaping scheme if planning permission was granted, Any future development of the site should include additional habitat features that can maintain foraging opportunities and increase commuting habitat to suitable habitats beyond the site.

The habitats on site provide opportunities for nesting and foraging birds. Four bird species recorded in the Environmental Statement are listed on the Local Biodiversity Action Plan (LBAP), Scottish Biodiversity List (SBL) and Amber listed birds of Conservation Concern.

The Environmental Statement recommended that a breeding bird survey is undertaken as the grassland habitat within the site is suitable to support a wide range of breeding species including those of local and national conservation concern. The application was not supported by a breeding bird survey. Although this was requested, the applicant was reluctant to carry one out due to timescales. As such, a condition would be required if planning permission is granted in order to secure the submission of this survey. Ideally, this survey should be carried out at an early stage in order to inform the layout and extent of any potential future development.

Scottish Natural Heritage (SNH) did not object to the application. However, it noted that this is a strategically important site on the edge of the Local Authority area and presents a range of issues relating to its remit.The relationship of this site and proposed communities and neighbourhoods also contributes towards the delivery of SDP policy 11 (Delivering the Green Network). This policy sets out requirements for connectivity at a variety of spatial scales including between proposed new strategic development sites and existing communities. Furthermore, this site lies within an area defined in the SESplan Main Issues Report as a Regional Green Network Priority Area. The Green Network Technical Note, accompanying the MIR, highlights this area within the wider context of the city region and its growth, and as being an 'area important to setting of the city and surrounding settlements, green belt character and gateways.' It also emphasises that 'a co-ordinated approach to green network development which establishes and maintains a sense of place and delivers cross-boundary connections will be important'.

SNH advised that if the Council were minded to grant planning permission, there are several issues which should be resolved through design modifications or clarified through the production of further detailed information. These issues include travel connectivity; consideration of wider views from The Wisp to the Pentlands and Arthur's Seat; visual impacts and design mitigation on the prominent ridge to the south west of the primary school; long term management of all remaining open spaces, and; further detailed mitigation of impacts on Local Nature Conservation Site.

Biodiversity Conclusion

The site benefits from a wide range of plant species that supports a number of wildlife habitats, foraging and commuting. The impact of development on these habitats can be alleviated to some degree by appropriate mitigation, such as replacement habitats and replacement landscaping. A breeding bird survey would be required to be carried out to assess the level of breeding bird activity on the site and assess appropriate additional mitigation.

As above, the survey has not yet been carried out regarding breeding birds on the site and therefore further consideration should be given to this if planning permission is granted. At present, the development does not accord with this policy, however this could be addressed in subsequent applications if planning permission is granted.

With regards to the rest of the habitats and species assessed on site, mitigation has been proposed for the development.

Scottish Planning Policy (paragraph 203) states that planning permission should be refused where the nature or scale of proposed development would have an unacceptable impact on the natural environment. In the absence of all required information, the full impacts of development on this site cannot be understood.

k) **Amenity for Existing and New Residents**

Existing Residents

The residents most affected by the proposals will be located to the north in the New Greendykes development. However, due to considerable distances between the properties, there would be no impact on privacy or amenity.

New Residents

The main impact on new residents will be noise arising from road traffic and nearby hospital operations.

Environmental Assessment advised that road traffic, helicopter (from the hospital operations), industrial, commercial and general hospital operations noises require to be fully assessed in a noise impact assessment. The development is proposed to be situated directly beneath an existing flight path as presently utilised by the emergency helicopters coming to and going from the hospital. The new Royal Hospital for Sick Children (RHSC), which is under development, includes a new helipad. The new helipad is likely to increase the number of flights over the proposed development albeit two other routes to and from the hospital are available for use by the helicopter pilots. In this regard, the developer was advised that an assessment of the current helicopter operations is difficult but must be carried out in due course and post development of the RHSC.

Environmental Assessment supports this approach of an updated assessment which will then include the new helipad operations. Therefore in summary, the applicant must submit further detailed assessments in relation to industrial, commercial and general hospital operations, helicopter and road traffic noise with mitigation measures designed and recommended at a further detailed stage, if planning permission was granted.

In relation to community facilities, the applicant has indicated that there is a site for a new primary school within the application site. There is also scope for some local shop developments within the site. This would be secured through further applications if planning permission was granted.

The applicant has also indicated that 25% of the total number of dwellings on site will be affordable.

It is assessed that amenity for existing and new residents may be acceptable, but this will be examined through further applications if planning permission is granted.

l) **Drainage, Flooding, Contamination and Ground Stability**

Drainage and Flooding

SEPA provided comments in relation to flooding on this site, noting that part of it lies within the medium likelihood (0.5% annual probability or 1 in 200 year) flood extent of the SEPA Flood Map. It may, therefore, be at medium to high risk of flooding. SEPA also noted that there would likely be field drains within the site which should be identified as part of the planning application.

Cumulative impacts would need to be considered and this is essential at this location due to the flood risk pressures surrounding the proposed development. The site design may be constrained due to surface water management and release into a watercourse which has known flood risk issues and a flood alleviation scheme.

A high level Flood Risk Assessment (FRA) was submitted as part of this planning application. The design flow is theoretical and from the FRA it does not appear to include an allowance for climate change. There is some uncertainty, therefore, associated with the scheme's level of protection.

The site boundary follows the perimeter of the flood storage area and, therefore, SEPA would be unlikely to support any proposal which requires alterations to this area, including raised crossings, without strong evidence that they are adequately sized to not cause a restriction in the channel or interfere with the operation of the storage areas.

This must therefore be considered by the applicant when designing the detailed scheme for any further applications, if permission is granted. Provision should be made to show how the proposed development is protected from pluvial flooding, including a robust drainage strategy.

Therefore, at this stage, it can be concluded that issues of flood risk have been addressed, although further details would be required in future applications, if permission was granted.

Contamination

The Environmental Statement submitted with the application contained information regarding ground conditions. It found that the site is underlain by strata that has been extensively worked in the past.

The applicant submitted a Ground Investigation Report which is currently being assessed by Environmental Assessment. Until this has been completed, Environmental Assessment recommends that a condition is attached to any consent to ensure that contaminated land is fully addressed.

Ground Stability

The application was supported by a report on ground stability and includes a report from the Coal Authority for the site. The report indicates that the site is in the likely zone of influence from workings in eight seams of coal at 210 metres to 800 metres depth and last worked in 1925. It also states that within the site or within 20 metres of the site boundary, there is one mine entry. The Coal Authority's online interactive map also shows that the eastern extent of the site is in a high risk area of probable shallow coal mine workings coinciding with a number of coal outcrops.

The Coal Authority notes from the Proposed Development Framework that the area of the site within which the recorded mine entry is present is to form open space/landscaping. Nevertheless, building over or within the influencing distance of a mine entry raises significant safety and engineering risks and exposes all parties to potential financial liabilities. The Coal Authority has adopted a policy where, as a general precautionary principle, the building over or within the influencing distance of a mine entry should wherever possible be avoided.

The applicant should ensure that the exact form of any intrusive site investigation, including the number, location and depth of boreholes, is agreed with The Coal Authority's Permitting Team as part of their permit application. The findings of these intrusive site investigations should inform any measures, including stabilisation works, which may be required in order to remediate mining legacy affecting the site and to ensure the safety and stability of the proposed development.

The Coal Authority considers that the content and conclusions of the Phase 1 Desk Study Report are sufficient for the purposes of the planning application and demonstrate that the application site is, or can be made, safe and stable for the proposed development. The Coal Authority therefore has no objection to the proposed development subject to the imposition of a suitable condition or conditions to secure the above if planning permission was granted.

m) <u>Air Quality</u>

The Local Authority is required under Part IV of the Environment Act 1995 to monitor, review and assess air quality in its area by way of staged processes. In this regard, a number of pollutants require to be assessed against national air quality objectives. Where these objectives are unlikely to be met by the target dates, the Local Authority must declare Air Quality Management Areas (AQMAs). It also prepares and implements an Air Quality Action Plan to manage and improve air quality in pursuit of the objectives. With respect to this process, there are currently no AQMAs in close proximity to the application site. As there are a number of committed developments and land allocated in the Local Plan for future residential developments, Environmental Assessment has concerns regarding local air quality in the area. The applicant's air quality impact assessment has not taken all these proposals into consideration therefore the submitted air quality impact assessment cannot be deemed a worst case scenario.

There are also concerns with the application due to the pressure this proposal would have on the transport infrastructure. If planning permission is granted, this development would lead to increased congestion and local air pollution. Policy ENV18 of the ECLP states that planning permission will only be granted for development provided it does not have a significant adverse impact on air, water or soil quality, and where appropriate mitigation can be provided.

In relation to this policy, further details would be required in order to assess what mitigation would be appropriate. This could be addressed by an appropriate condition if planning permission was granted.

n) <u>Archaeology</u>

In terms of archaeology, this application must be considered under terms of the Scottish Government's Scottish Planning Policy (SPP), PAN2/2011 and Scottish Historic Environment Policy (SHEP) and also the Edinburgh City Local Plan policies ENV3, ENV7, ENV8 and ENV9 and 2013 Craigmillar Urban Design Framework. The aim should be to preserve archaeological remains in situ as a first option, but alternatively where this is not possible, archaeological excavation or an appropriate level of recording may be an acceptable alternative.

Archaeological evidence (detailed in the environmental statement accompanying this application) shows that the Edmonstone Estate polices surrounding the former house, and which include part of the southern portion of the application site, have been part of an important designed landscape since the 17th century. Contained within the site and sharing its boundary are the remains of the house's former stables, icehouse, ha-ha, dovecot, walled-garden, the estates main farm Edmonstone Mains (Home Farm) and the category (C) listed gate-piers and lodge.

Archaeological investigations carried out in 2013 provided further evidence for potentially nationally significant early industrial mining with the discovery of widespread late medieval/post-medieval bell pits. These early mines dating to the 16th -17th centuries were first identified at Edmonstone in 2008 across the southern part of the estate and are expected to cover the upper Edmonstone Ridge, following the vertical seams of coal which are know extend across the ridge.

Listed Buildings
It is not specified in the submitted plans if the B-listed East Lodge and listed Gate-piers are to be retained within any subsequent development. Any proposals to demolish these listed buildings would be considered contrary to planning policy. Clarification would require to be sought that these buildings will be retained in any subsequent phases of development arising from this application.

Historic Artefacts
Outwith the listed structures and scheduled ancient monument, the area identified for housing contains significant stone boundary walls, of particular significance is the wall running north-south from the listed East Lodge towards Niddrie Marischal. This wall probably dating to between the 17th and early 19th centuries is a key component to the area's historic landscape, possibly forming Edmonstone Estate's eastern boundary. Accordingly, it is recommended that that a condition is attached if permission is granted to ensure that this wall is repaired and reused within this development.

Buried Archaeology - Scheduled Sites Hawkhill wood and Home Farm Enclosure
The application will impact upon two Scheduled Ancient Monuments at Hawkhill Wood and Home Farm enclosure. At this stage, the proposals are not significantly designed out to assess fully the impact upon these two nationally significant sites, although the proposals do indicate that these sites will remain undeveloped. However, given potential impacts which occur as a result of designing and constructing open space and parkland it is necessary, in consultation with Historic Environment Scotland, that both detailed management plan(s) are submitted for approval which will secure not only their protection during development (if granted) but also the long term management, protection and interpretation.

Non-designated Remains
Given the significant archaeological resources occurring across the proposed area (outlined above and in the environmental statement), an archaeological mitigation strategy is required to be undertaken prior to submission of any further detailed applications and development. In essence, this strategy will require the undertaking of a phased programme of archaeological investigation, the first phase of which will be the

undertaking of an archaeological evaluation (minimum 10%) linked to comprehensive metal detecting surveys. The results from this initial phase of work will allow for the production of appropriate more detailed mitigation strategies to be drawn up to ensure the appropriate protection and/or excavation, recording of any surviving archaeological remains is undertaken if planning permission is granted.

Archaeology Conclusion

The site contains areas of archaeological significance. Further details would be required in order to understand how the proposals would impact upon archaeological remains and what level of mitigation would be appropriate. This could be dealt with in subsequent applications if planning permission was granted.

o) <u>Sustainability and Sustainable Economic Growth</u>

The proposal is for planning permission in principle and is not at the detailed stage, in terms of building design. Sustainability measures will require further consideration if a detailed application comes forward. Should Committee be minded to grant permission, a condition is recommended to ensure sustainability measures are considered at the detailed design stage.

In terms of sustainable economic development, the Scottish Government published Scotland's Economic Strategy in March 2015. This strategy looks to invest in infrastructure and increase the ability of people to participate in the labour market. It also places emphasis on introducing regeneration to deprived communities and encouraging community-led initiatives. The site is surrounded by some of the most deprived wards in the City with nearby Craigmillar suffering from issues such as crime, employment, health, housing and income. The applicant assumes that around 50% of the new homes will be sold to Edinburgh residents (i.e. they will be displaced) and the other 50% will be sold to non-Edinburgh residents. By introducing a new mix of people into the area with new skill sets and so on, there is an argument that the area could be revitalised. The applicant suggests that some of these new residents may be people who will work at the hospital or the BioQuarter, perhaps introducing a new skill set/enhancing that which already exists.

Edinburgh's economic strategy, 'A Strategy for Jobs 2012-17' aims to achieve sustainable economic growth through supporting the creation and safeguarding of jobs in Edinburgh. A key element of delivering jobs-driven economic growth is the provision of an adequate supply of workplaces.

During construction period
Information from the applicant suggests that the proposed development could create approximately 37 full-time equivalent jobs (FTEs) during the construction period with around 67% (25) being from within the local area. Based on a gross value added (GVA) per construction employee of £66,208 per annum, the applicants have estimated that the proposed development would generate an additional £16.5million for the regional economy and £24.6 million at the national level.

Post construction period
The proposed development is expected to deliver approximately 25 FTEs post construction period at the new primary school.

Other
The proposed development can be expected to support jobs in the area via household expenditure. Given the average expenditure of households in Scotland (£449 p/w), the combined expenditure of the households within the development is projected to total approximately £16,343,600 p/a.

Therefore, it is noted that the proposal would make a contribution towards sustainable economic development. However, this would be the case for any development in this location, and is not justification for allowing development on this site. While the site could enable the delivery of housing within a five-year period (albeit a limited number of units), the key aim of SPP is to deliver sites in a plan-led manner. As SPP sets out, the aim is to achieve the right development in the right place; it is not to allow development at any cost. The potential economic benefits of developing this site do not outweigh the environmental cost and impact on the landscape setting of the City.

p) <u>Equalities and Human Rights</u>

The application has been assessed for any potential impacts on equalities and human rights. Air quality and noise issues are largely short-lived matters during the construction stage that can be mitigated against through good working practices.

The proposal would lead to the loss of the existing open space and remove the potential for future generations to enjoy a designed parkland, although the development would provide new housing, including 25% affordable which could aid in improving the standard of life.

Equalities and human rights would be reconsidered at a further detailed stage if permission was granted.

q) <u>Representations</u>

The letters of representation raised the following material issues:

Objections:

- General principle of building on green belt land (assessed in (a) above);
- The loss of green space, and the resultant green space is inadequate (assessed in (a) above);
- The site is not well served by local shops and the nearest shops are outwith easy walking distance (assessed in (k) above;
- The proposal does not promote active travel (assessed in (g) above);
- The road capacity is not sufficient to allow for this development and all other developments in the area (assessed in (g) above);
- Loss of biodiversity and habitats (assessed in (j) above;
- Loss of opportunities for recreational activities (assessed in (k) above; and
- Detrimental impact on the landscape (assessed in i) above.

General Comments:

- Potential issues with flooding and drainage;
- Lack of consultation; and
- Consideration should be given to a segregated off-road cycle network through the site.

Support:

- The development will help sustain the school roll for Castlebrae Community High School.

These comments are noted.

The Craigmillar Community Council also made comments that following community consultation, there was support for the proposed development. The results of a consultation exercise carried out by the Community Council showed that from the 40 respondents, there was general support (65%) in favour of developing the green space. The new parkland would also go some way to delivering the improved parkland described in the Craigmillar Urban Design Framework.

The Community Council also stated that should the development receive planning permission, it would like to put on record its desire that the Council use the capital receipt due from the sale of the land to the developer to fund the delivery of the proposed High School in Craigmillar. The Community Council believes that, along with the improvements to the Town Centre, the new secondary school is central to the regeneration of Craigmillar.

These comments from the Community Council are noted.

Overall Conclusion

The development proposes a new school, community facilities, green spaces and around 770 residential dwellings.

The proposed Local Development Plan (LDP) is currently under examination and the examination report is expected at the end of June 2016. As noted by Planning Committee in May 2015, this report will be binding on the Council.

However, the applicant did not make representations regarding this site during the LDP process and therefore it is unlikely that it will be considered by the examination reporters as a site for housing.

Notwithstanding that the LDP examination is reported shortly, a decision is sought by the applicant at this time. It is a requirement of planning legislation that decisions on planning applications are provided. It should be noted that if members are minded to grant planning permission, the application will be notified to the Scottish Ministers.

In assessment of the application, there are a number of issues that could be addressed through the submission of subsequent AMC applications, if planning permission was granted. These relate to technical matters such as air quality, archaeology, noise and ground conditions. Further information would be required regarding transport and cumulative impacts.

The applicant is proposing to deliver a new primary school on this site, which is supported in principle.

The applicant is proposing to provide financial contributions to the local community to help with various initiatives, if planning permission was granted. However, it should be noted that this could not be secured through a legal agreement linked to the planning permission.

Craigmillar Community Council and The Parent Council of Castlebrae Community High School have indicated support for the proposals and this is noted.

However, it is the fundamental principle of the development that is in question. At present, there is no justification for the development in terms of housing land supply. Even if planning permission was granted, there is no evidence to suggest that housing could be delivered on this site to make a meaningful contribution to the five year supply. This is based on the fact that the site is not assessed as being effective; it is not in the applicant's ownership (it is currently within the ownership of the Council) and future land remediation may delay development commencing. Furthermore, the average time in gaining first completions following the granting of a planning permission in principle is four years. Therefore, an optimistic estimate of the contribution that this site would make to the housing land supply would be around 50 units. This is apparent in the land to the immediate south of this site (on the Edmonstone Policies site, the Walled Garden and Eight-Acre Field) where, despite extant planning permissions, development has not yet commenced.

In terms of the landscape, it is acknowledged that there are a number of urban interventions around the site that impact on the overall landscape setting and character of the site. However, this site is of strategic importance in providing parkland and cycle/footpath links between Midlothian and Edinburgh. This green space provides a buffer between the Edinburgh BioQuarter and new housing developments at Greendykes/Craigmillar and forms an important visual link to Craigmillar Castle. Despite the Landscape and Visual Impact Assessment noting that many views would be affected to a major/adverse degree, there has been no meaningful discussion with the applicant regarding where development may be directed in order to mitigate any visual or biodiversity impacts.

Therefore, on balance, the principle of the development is not supported. Development of this site would prejudice the development of the parkland, which would be detrimental to the future communities in the area. The impact on the landscape has been assessed and is not acceptable. Although there is a recognised need to provide new housing in Edinburgh, this site has been assessed and is not supported by policy and there are no overriding material considerations which outweigh this conclusion.

The development is significantly contrary to the development plan.

It is recommended that planning permission is refused subject to referral to Council.

Due to the fact that the development is significantly contrary to the development plan and currently in Council ownership, the application requires to be referred to the Scottish Ministers.

It is recommended that this application be Refused subject to referral to Council for the reasons below.

3.4 Conditions/reasons/informatives

Reason for Refusal:-

1. The proposal is contrary to SDP Policy 12, Edinburgh City Local Plan Policies Env 10 and Hou 1 and the Second Proposed LDP Policies Env 10 and Hou 1 as there are no compelling reasons to override the strong policy presumption against development in the Green Belt.

2. The proposal is contrary to policy Des 2 of the Edinburgh City Local Plan as it would compromise the comprehensive development and regeneration of the wider area, specifically the South East Wedge Parkland, as provided for in the Craigmillar Urban Design Framework.

3. The proposals are contrary to Greenspace Proposal GS4 of the Second Proposed Local Development Plan which states that the land around Craigmillar/Greendykes is retained in the green belt and will be landscaped to provide mulit-functional parkland, woodland and country paths, linking with parallel developments in Midlothian. This proposal would not support GS4 and would prejudice the delivery of the parkland.

4. The proposal is contrary to Edinburgh City Local Plan Policies Des 3 and Env 11 as the development will not have a positive impact on its setting, the wider landscape and views.

Financial impact

4.1 The financial impact has been assessed as follows:

As the Council currently own the land, there would be a capital receipt from the sale.

Risk, Policy, compliance and governance impact

5.1 Provided planning applications are determined in accordance with statutory legislation, the level of risk is low.

Equalities impact

6.1 The equalities impact has been assessed as follows:

This application was assessed in terms of equalities and human rights. The impacts are identified in the Assessment section of the main report.

Sustainability impact

7.1 The sustainability impact has been assessed as follows:

This application meets the sustainability requirements of the Edinburgh Design Guidance.

Consultation and engagement

8.1 Pre-Application Process

A Proposal of Application Notice was submitted and registered on 2 July 2015. Copies of the Notice were also issued to:

- Craigmillar Community Council;
- Liberton and District Community Council;
- Danderhall and District Community Council;
- Gilmerton and Inch Community Council;
- Craigmillar Neighbourhood Alliance;
- Portobello and Craigmillar Neighbourhood Partnership;
- Liberton and Gilmerton Neighbourhood Partnership;
- South Neighbourhood Office;
- Inch Community Association;
- Castlebrae Community High School;
- Ward Councillors;
- Local MSP; and
- Local MP.

A presentation was made to the Gilmerton and Inch Community Council's Planning Sub-Group on 5 August 2015 and Craigmillar Community Council on 11 August 2015. A community engagement event was undertaken on 18 August 2015 at the Hays Business Centre.

Full details can be found in the Pre-Application Consultation report, which sets out the findings from the community consultation. This is available to view on the Planning and Building Standards online services.

A pre-application report on the proposals was presented to the Committee on 12 August 2015. The Committee noted the key issues in the report and requested that this application should be considered in tandem with the application for parkland on the same site.

8.2 Publicity summary of representations and Community Council comments

The application was advertised on the 13 November 2015 and seven letters of representation were received. These included four letters of objection, two letters of support and one letter of general comment.

A full assessment of the representations can be found in the main report in the Assessment section.

Background reading/external references

To view details of the application go to;

- Planning and Building Standards online services
- Edinburgh City Local Plan and Rural West Edinburgh Local Plan
- Planning guidelines
- Conservation Area Character Appraisals
- Edinburgh Local Development Plan
- Scottish Planning Policy

Statutory Development Plan Provision	National Planning Framework 3: NPF3 expects development plans to identify green networks in all of the city regions. But for the next five years, the strategy continues to prioritise environmental improvements in the Central Belt, with the Central Scotland Green Network (CSGN) helping to make this area more attractive to investors and residents. Strategic Development Plan (SESplan): The location of the green belt is shown in the SESplan Spatial Strategy. The green belt in this location separates the South East Edinburgh SDA from the Midlothian SDA that covers the A7/A68/Borders Rail Corridors. Edinburgh City Local Plan: The land is within the Green Belt and is part of a Local Nature Conservation Site and area of importance for flood management. The site is designated as Open Space Proposal: OSR 4 - South East Wedge Parkland which indicates that the land should be landscaped to provide multi-functional parkland, woodland and country paths with parallel developments in Midlothian. Second Proposed Local Development Plan (2014): The land is within the Green Belt and a Local Nature Conservation Site. The site is also part of Greenspace Proposal: GS4 South East Wedge Parkland and retains the same aims as held within the ECLP. The site is also identified as being within a candidate Special Landscape Area and has a tram safeguard route on a north/south axis. Other: The Edmonstone Estate is identified as a historic garden and designed landscape of local landscape importance. Craigmillar Urban Design Framework: This sets out a vision and principles for development of the Craigmillar area. Edmonstone is identified as providing landscape and natural and historical heritage context to the area alongside land for future open space proposals.

	Finalised Edinburgh BioQuarter and South East Wedge Parkland Supplementary Guidance: This states that the Edmonstone Estate should: • conserve, enhance and maintain the surviving structure and landscape elements of Edmonstone and Niddrie Marischal. • keep updated and implement an Estate Management Plan.
Date registered	4 November 2015
Drawing numbers/Scheme	01, 02.,

John Bury

Head of Planning & Transport
PLACE
City of Edinburgh Council

Contact: Lesley Carus, Senior Planning Officer
E-mail: Lesley.carus@edinburgh.gov.uk Tel: 0131 529 3770

Links-Policies

<u>Relevant Policies</u>:

Relevant Policies of the Strategic Development Plan.

SDP06 (Housing Land Flexibility) Policy 6 requires that a 5 year effective housing land supply is maintained. It allows the granting of planning permission for the earlier development of sites which are allocated for a later period in the LDP to maintain the land supply.

Policy 7 requires that a 5 year housing land supply is maintained. Sites within or outwith Strategic Development Areas may be allocated in LDPs or granted consent subject to the development; being in accord with the character of the settlement or area, not undermining green belt objectives and any additional infrastructure required is either committed or to be funded by the developer.

Relevant policies of the Edinburgh City Local Plan.

Policy Des 1 (Design Quality and Context) sets general criteria for assessing design quality and requires an overall design concept to be demonstrated.

Policy Des 2 (Co-ordinated Development) establishes a presumption against proposals which might compromise the effective development of adjacent land or the wider area.

Policy Des 3 (Development Design) sets criteria for assessing development design.

Policy Des 4 (Layout Design) sets criteria for assessing layout design.

Policy Des 5 (External Spaces) sets criteria for assessing landscape design and external space elements of development.

Policy Des 6 (Sustainable Design & Construction) sets criteria for assessing the sustainable design and construction elements of development.

Policy Des 8 (Urban Edge Development) sets criteria for assessing development on sites at the Green Belt boundary.

Policy Env 3 (Listed Buildings - Setting) identifies the circumstances in which development within the curtilage or affecting the setting of a listed building will be permitted.

Policy Env 9 (Development of Sites of Archaeological Significance) sets out the circumstances in which development affecting sites of known or suspected archaeological significance will be permitted.

Policy Env 10 (Green Belt) identifies the types of development that will be permitted in the Green Belt.

Policy Env 11 (Landscape Quality) establishes a presumption against development which would adversely affect important landscapes and landscape features.

Policy Env 12 (Trees) sets out tree protection requirements for new development.

Policy Env 15 (Sites of Local Importance) identifies the circumstances in which development likely to affect Sites of Local Importance will be permitted.

Policy Env 16 (Species) sets out species protection requirements for new development.

Policy Env 17 (Flood Protection) sets criteria for assessing the impact of development on flood protection.

Policy Env 18 (Air, Water and Soil Quality) sets criteria for assessing the impact of development on air, water and soil quality.

Policy Os 3 (Open Space in New Development) sets out requirements for the provision of open space in new development.

Policy Hou 2 (Housing Mix) requires the provision of a mix of house types and sizes in new housing developments.

Policy Hou 3 (Private Open Space) sets out the requirements for the provision of private open space in housing development.

Policy Hou 4 (Density) sets out the factors to be taken into account in assessing density levels in new development.

Policy Hou 7 (Affordable Housing) requires 25% affordable housing provision in residential development of twelve or more units.

Policy Com1 (Community Facilities) sets requirements for the provision of community facilities associated with large scale residential development, and the protection of existing community facilities.

Policy Com2 (School Contributions) sets the requirements for school contributions associated with new housing development.

Policy Com 3 (School Development) sets criteria for assessing sites for new school development.

Policy Tra 1 (Major Travel Generating Development) supports major travel generating development in the Central Area, and sets criteria for assessing major travel generating development elsewhere.

Policy Tra 4 (Private Car Parking) requires private car parking provision to comply with the parking levels set out in supplementary planning guidance, and sets criteria for assessing lower provision.

Policy Tra 5 (Private Cycle Parking) requires cycle parking provision in accordance with levels set out in supplementary guidance.

Policy Tra 6 (Design of Off-Street Car and Cycle Parking) sets criteria for assessing design of off-street car and cycle parking.

Relevant policies of the Proposed Local Development Plan.

Second Proposed LDP Policy Del 1 (Developer Contributions) identifies the circumstances in which developer contributions will be required.

Second Proposed LDP Policy Env 10 (Development in the Green Belt and Countryside) identifies the types of development that will be permitted in the Green Belt and Countryside.

Second Proposed LDP Policy Del 1 (Developer Contributions) identifies the circumstances in which developer contributions will be required.

Relevant Non-Statutory Guidelines.

Non-Statutory guidelines Edinburgh Design Guidance supports development of the highest design quality and that integrates well with the existing city. It sets out the Council's expectations for the design of new development, including buildings and landscape, in Edinburgh.

Appendix 1

Application for Planning Permission in Principle 15/05074/PPP
At South East Wedge Development Site, Old Dalkeith Road, Edinburgh
Proposed residential development, community parkland and a primary school on Land at Edmonstone, the Wisp, South East, Edinburgh.

Consultations

Coal authority consultation response 18 November 2015

Proposed residential development, community parkland and a primary school on land at Edmonstone, The Wisp, South East Edinburgh at South East Wedge Development Site, Old Dalkeith Road, Edinburgh

Thank you for your consultation email of 9 November 2015 seeking the views of The Coal Authority on the above planning application.

The Coal Authority is a non-departmental public body sponsored by the Department of Energy and Climate Change. As a statutory consultee, The Coal Authority has a duty to respond to planning applications and development plans in order to protect the public and the environment in mining areas.

The Coal Authority Response: Material Consideration

I have reviewed the proposals and confirm that the eastern portion of the application site falls within the defined Development High Risk Area; therefore within the application site and surrounding area there are coal mining features and hazards which need to be considered in relation to the determination of this planning application.

The Coal Authority notes that the Environmental Statement which has been submitted in support of this planning application draws upon, and includes in Appendix 11.1, the contents of a Phase 1 Desk Study Report (September 2015, prepared by Mason Evans).

The Phase 1 Desk Study Report correctly identifies that the application site has been subject to past coal mining activity. In addition to the mining of deep coal seams, The Coal Authority records indicate that a mine entry (shaft, CA ref. 330670-009) is present within the application site, adjacent to the eastern boundary and the zone of influence of any off-site mine entry (shaft, CA ref. 330670-008) encroaches across the eastern boundary of the site. In addition, our information indicates that a number of thick coal seams outcrop at or close to the surface of the site which may have been worked in the *past and historic unrecorded underground coal mining is also likely to have taken place at shallow depth beneath the eastern part of the site.*

The Phase 1 Desk Study Report has been informed by an appropriate range of sources of information including a Coal Authority Mining Report, historical OS mapping and BGS data. Based on a review of these sources of geological and mining information, Section 6.5.1 of the Report indicates that surface instability due to mining in the south-east of the site is considered possible and should be taken into consideration in the future development of the site.

Accordingly, the Report goes on to recommend that Phase II investigations are undertaken including consideration of mining instability affecting the site and mine gas emissions. The Coal Authority concurs that intrusive investigations, including the drilling of rotary boreholes, are required in order to ascertain ground conditions and to establish the presence or otherwise of shallow mine workings. These investigation works should also seek to identify the precise position and condition of the recorded entry.

I note from the Proposed Development Framework that the area of the site within which the recorded mine entry is present is to form open space/ landscaping. Nevertheless, I take this opportunity to advise the applicant that building over or within the influencing distance of a mine entry raises significant safety and engineering risks and exposes all parties to potential financial liabilities. The Coal Authority has adopted a policy where, as a general precautionary principle, the building over or within the influencing distance of a mine entry should wherever possible be avoided. Our adopted policy can be found at: www.gov.uk/government/publications/building-on-or-within-the-influencing-distance-of-mine-entries

The applicant should ensure that the exact form of any intrusive site investigation, including the number, location and depth of boreholes, is agreed with The Coal Authority's Permitting Team as part of their permit application. The findings of these intrusive site investigations should inform any measures, including stabilisation works, which may be required in order to remediate mining legacy affecting the site and to ensure the safety and stability of the proposed development.

The Coal Authority would also expect the applicant to afford due consideration to the prior extraction of any remnant shallow coal as part of any mitigation strategy. Prior extraction of remnant shallow coal can prove to be a more economically viable method of site remediation than grout filling of voids.

The Coal Authority Recommendation to the LPA

The Coal Authority concurs with the recommendations of the Phase 1 Desk Study Report; that coal mining legacy potentially poses a risk to the proposed development and that intrusive site investigation works should be undertaken prior to development in order to establish the exact situation regarding coal mining legacy issues on the site. The Coal Authority recommends that the LPA impose a Planning Condition should planning permission be granted for the proposed development requiring these site investigation works prior to commencement of development.

In the event that the site investigations confirm the need for remedial works to treat the recorded mine entry and any areas of shallow mine workings to ensure the safety and stability of the proposed development, these should also be conditioned to be undertaken prior to commencement of the development.

A condition should therefore require prior to reserved matters/ approval of matters applications:
** The submission of a scheme of intrusive site investigations for the mine entry for approval;*
** The submission of a scheme of intrusive site investigations for the shallow coal workings for approval; and*
** The undertaking of both of those schemes of intrusive site investigations.*

A condition should require as part of the reserved matters/ approval of matters application:
** The submission of a layout plan which identifies appropriate zones of influence for the mine entry on site, and the definition of a suitable 'no-build' zone;*
** The submission of a scheme of treatment for the mine entry on site for approval; and*
** The submission of a scheme of remedial works for the shallow coal workings for approval.*

A condition should also require prior to the commencement of development:
** The implementation of those remedial/treatment works.*

The Coal Authority considers that the content and conclusions of the Phase 1 Desk Study Report are sufficient for the purposes of the planning system and demonstrate that the application site is, or can be made, safe and stable for the proposed development. The Coal Authority therefore has no objection to the proposed development subject to the imposition of a condition or conditions to secure the above.

Midlothian Council 2 December 2015

While not formally objecting to the proposal, Midlothian Council wishes to raise the following concerns in relation to Green Belt, transport and landscape impact.

Midlothian Council raised matters on transport and landscape in response to the recent PAN (ref. 15/03214/PAN), and also to your EIA scoping request.
As you are aware the proposed site is within the original South East Wedge development area and was to be undeveloped parkland/open space. Midlothian Council considers there are important cross border issues associated with this significant proposal. This is particularly the case given the site is on the Edinburgh Midlothian boundary and would, if developed, have implications for key vehicular and pedestrian/cyclist cross boundary routes.

The Shawfair Master Plan (also called the Shawfair Design Framework) sets out details of these cross border connections. It can be accessed from Midlothian Council's website through the following link to planning application ref: 02/00660/OUT

Green Belt
The application site has no planning policy support in that the current development plan identifies this area as Green Belt. The City of Edinburgh has identified a number of

greenfield housing sites in the Proposed Edinburgh Local Development Plans, of which this site is not included. If the City of Edinburgh Council is satisfied that sufficient new housing land has been identified, there would appear to be no justification in supporting the release of this application site for development.

Transport
Vehicular Transport

Midlothian Council has concerns regarding the cumulative impact on the transport network arising from this proposal. It is in addition to developments that are in accordance with the development plans of the City of Edinburgh and Midlothian Councils, and other windfall developments in this part of south east Edinburgh that have come forward.

Midlothian Council is aware that a number of improvements to the local road network, in association with development currently underway at new Greendykes, have been made, such as footpath on The Wisp, new bus stop, street lighting, upgrade of the traffic lights at the junction of The Wisp and the A7, and a 30 mph speed limit at the Millerhill Road/The Wisp junction. However, they were primarily to accommodate the new Greendykes development. Additional windfall developments in this area, such as this proposal, may place increased burdens on the existing road network and junction capacities which would require to be mitigated in an appropriate manner.

Midlothian Council considers that the expected impact of traffic flows of all existing, committed and proposed residential development in this part of Edinburgh and the Shawfair area of Midlothian should be considered in the assessment of this proposal. The junction of The Wisp and the A7 has been highlighted as an issue in the Transport Appraisal work undertaken by Midlothian Council for its Proposed Midlothian Local Development Plan. Midlothian Council asks that the findings of this Transport Appraisal work are taken into account in the assessment of this proposal.

The Midlothian Local Development Plan Transport Appraisal work is available on Midlothain Council's website through the below link:
http://midlothianconsult.
objective.co.uk/portal/planningpolicy/mldp/mldppp?tab=files

This link is to the Supporting Documents for the Proposed Local Development Plan on the Planning Portal on Midlothian Council's website.

Midlothian Council requests that the following also be taken into account in the assessment of the proposal:

- demonstration that the proposal has good access to public transport and provides good walking and cycling routes; and
- investigate how public transport might be improved along The Wisp.

Midlothian Council would have strong concerns about a new vehicular road access on to The Wisp from this proposal.

Pedestrian/ Cycle facilities

If this proposal is supported, then Midlothian Council requests that full provision of good multi-user foot and cycle paths is made in order that the development supports and helps facilitate reciprocal connections between local and wider Edinburgh and Midlothian networks. Midlothian Council considers links between Edinburgh and Midlothian in this location an important part of delivering its green network. Further details are set out below:

Access point on the northern edge of Danderhall, by the East Lodge at Edmonstone - shown on Figure 11.4 of the Shawfair Master Plan:

If this proposal were supported Midlothian Council would consider it essential that widened footpaths and a crossing point be provided to connect with the links into Shawfair indicated on Figure 11.4 of the Shawfair Master Plan Framework.

Multi-user path along The Wisp
Midlothian Council requests the proposal considers provision of a multi-user path along The Wisp through the development, connecting with the Greendykes development and Hunter's Hall Park to the north, to provide links to Niddrie Mains Road.

Craigmillar Castle Road
Full consideration should be given to the provision of safe crossing and access at Craigmillar Castle Road to off-road foot/cycle paths along this road.

Developer Obligations - Transport
With regard to impacts on the road network, Midlothian Council is seeking developer obligations from committed and proposed development identified in the Proposed Midlothian Local Development Plan in the Shawfair and Danderhall area for the upgrade and improvement of the Sheriffhall junction on the A720 City Bypass, Borders Railway and other education and infrastructure requirements. These sites includes the:

- approximately 4000 homes and 32.5 ha. of economic development associated with the committed new Shawfair community (sites h43-h45 and e25, e26 and e28 respectively);
- Shawfair Park (ref. e27), a 9 ha. business allocation from the Midlothian Local Plan (2008); and
- allocations made in the Proposed Midlothian Local Development Plan (2014).

This includes housing sites Cauldcoats (ref. site Hs0 - which partly fronts on to The Wisp: allocated for 350 houses with possible potential for a further 200 houses beyond 2024), Newton Farm (ref. Hs1: allocated for 480 houses with possible potential for a further 220 houses beyond 2024) and Shawfair Park Extension (ref. Ec1, a 20 ha. business allocation).

If this development were to be supported, Midlothian Council requests that developer obligations are sought to help contribute to the upgrade of the Sheriffhall junction on the A720 City Bypass, as well as to other necessary improvements that may be required to the local road network. Midlothian Council would expect there to be potential for cumulative implications from this proposal, and other nearby developments, on the Sheriffhall junction and the local road network.

Finally, if the development were to be supported then the above multi-user foot/cycle paths should be secured through the appropriate mechanism. This could include developer obligations.

Landscape
As stated already in this letter, the proposed development site is part of the South East Wedge development area and was to be undeveloped parkland/open space. It is an important cross border location and the landscape impact of the development on Midlothian and Edinburgh should be fully considered.

Archaeology 22 December 2015.

Further to your consultation request I would like to make the following comments and recommendations concerning this application in principal for proposed residential development, community parkland and a primary school on land at Edmonstone, The Wisp.

The site connects the three historic estates of Edmonstone, Craigmillar and Niddrie Marischal overlooking the valley of the Niddrie Burn. Archaeological evidence (detailed in Waterman's EIA accompanying this application) shows that the area has been occupied since the prehistoric period and still contains the nationally important Home Farm Enclosure (Ref 6038) on Edmonstone ridge. Roman occupation is possible with a Roman finds discovered from Hawkhill Wood. The remains of an old road were tentatively identified by GUARD in 2008 as the remains of a Roman Road thought to be in this area, though following subsequent post-excavation the road is seen now to be medieval/post-medieval in date.

The medieval Edmonstone is mentioned in charters from AD 1248 onwards and it is possible that the site has acted as estate centre since the 12th century. Harris (Harris S, Place Names of Edinburgh) records that a Henry de Edmundistun was witness in 1200 to a charter signed by a Henry de Brade with tradition associating the site with Edmond Count of Flanders a companion of Queen Margaret future wife of Malcolm Canmore in 1071. The recent archaeological work by GUARD in 2013, along the route of a new access road running across the western boundaries of this site, to the east & north of the former house, have uncovered significant remains of a possible settlement dating from the 13th century which extend into this application site.

By the 14th century Edmonstone was the centre of an important estate. The original house, destroyed and rebuilt in 1800, was built around an earlier mansion recorded in a charter of 1613, which may have been originally a late-medieval tower-house.

The Edmonstone Estate polices surrounding the former house and which form the southern half of the application site have been part of an important designed landscape since the 17th century. Contained within the site and sharing its boundary are the remains of the house's former Stables, Icehouse, Ha-Ha, Dovecot, Walled-Garden, the estates main farm Edmonstone Mains (Home Farm) and the listed (c) gate-piers and lodge. The coach-house & stable-block is presumed to date from the reconstruction of the House following a fire in 1800. The Icehouse, Ha-ha and wall-garden may be earlier in date, possibly dating to the 18th century with the dovecot likely to date from the 16/17th century.

The 2013 archaeological investigations by GUARD have also provided further evidence for potentially nationally significant early industrial mining with the discovery of widespread late medieval/post-medieval bell pits. These early mines dating to the 16th -17th centuries were first identified at Edmonstone by Headland Archaeology in 2008 across the southern part of 'Area 1' and area expected to cover the upper Edmonstone Ridge following the vertical seems of coal which are know extend across the ridge. Metal detecting surveys carried out by local amateurs and as part of CEC Braid Burn Flood Prevention scheme, have provided evidence for the use of the area as training grounds during both WWI & WW II.

This application must be considered under terms of the Scottish Government's Scottish Planning Policy (SPP), PAN2/2011 and Scottish Historic Environment Policy (SHEP) and also CEC's Edinburgh City Local Plan policies ENV3, ENV7, ENV8 & ENV9 and 2013 Craigmillar Urban Design Framework. The aim should be to preserve archaeological remains in situ as a first option, but alternatively where this is not possible, archaeological excavation or an appropriate level of recording may be an acceptable alternative.

Listed Buildings
It is not specified in the submitted plans if the B-listed East Lodge and listed Gate-piers are to be retained within any subsequent development. Any proposals to demolish these listed buildings would be considered contra to planning policy. Clarification must be sought that these buildings will be retained in any subsequent phases of development arising from this PPP application.

Historic Landscape
The Council's 2013 Craigmillar Urban Design Framework recognises the significance of the historic landscapes occupying this site identifying it as an area of valuable open space and parkland. As such it contains several design criteria to ensure the preservation/conservation and enhancement of the areas key historic landscape and archaeological features. As such it is essential that these important design principals are followed within this application. Outwith the listed structures and SAM' discussed below, it the area identified for housing contains significant stone boundary walls, of particular being the wall running north-south from the listed East Lodge towards Niddrie Marischal.

This wall probably dating to between the 17th and early 19th centuries is a key component to the areas historic Landscape possibly forming Edmonstone Estates eastern boundary. Accordingly it is recommended that that a condition is attached to ensure that this wall is repaired and persevered within this development using a condition based upon the following;

'The applicant shall ensure the repair and preservation of the Edmonstone Ridge historic estate wall in accordance with detailed designs which have been submitted by the applicant and approved by the Planning Authority.'

Buried Archaeology:

Scheduled Sites Hawkhill wood & Home Farm Enclosure
The application will impact upon two Scheduled Ancient Monuments Hawkhill Wood and Home Farm enclosure. At this stage the proposals are not significantly designed

out to fully gauge the impact upon these two nationally significant sites although the proposals do indicate that these sites will remain undeveloped. However given potential impacts which occur as a result of construction and designing open space and parkland it is essential, in consultation with Historic Environment Scotland, that both detailed management plan(s) are submitted for approval which will secure not only there protection during development (if granted) but also there long term management, protection and interpretation.

It is recommended that this Archaeological/Heritage Management Plan is secured using a condition based upon the following;

'No development shall take place on the site until the applicant has secured the implementation of an Archaeological Conservation & Management Plan for both Home Farm Enclosure (Ref 6038) and Hawkhill Wood (Ref 90129) which has been submitted by the applicant and approved by the Planning Authority.'

Non-designated Remains
Given the significant archaeological resources occurring across the proposed area (outlined above and in Waterman's EIA), it is essential that an archaeological mitigation strategy is undertaken prior to submission of any further detailed (FUL/AMC) applications and development. In essence this strategy will require the undertaking of a phased programme of archaeological investigation, the first phase of which will be the undertaking of an archaeological evaluation (min 10%) linked to comprehensive metal detecting surveys. The results from this initial phase of work will allow for the production of appropriate more detailed mitigation strategies to be drawn up to ensure the appropriate protection and/or excavation, recording of any surviving archaeological remains prior to construction commencing is undertaken.

Interpretation
In addition to the interpretation / preservation of Home Farm enclosure & Hawkhill Wood discussed above, the site has the potential for unearthing important archaeological remains. Accordingly it is essential that the archaeological mitigation strategy contain provision for public/community engagement (e.g. site open days, viewing points, temporary interpretation boards), the scope of which will be agreed with CECAS.

It is recommended that these programmes of work be secured using a condition based upon the model condition stated in PAN 42 Planning and Archaeology (para 34), as follows;

'No development shall take place on the site until the applicant has secured the implementation of a programme of archaeological work (Excavation, reporting and analysis, publication, interpretation, protection & conservation, management & public engagement) in accordance with a written scheme of investigation which has been submitted by the applicant and approved by the Planning Authority.'

The work must be carried out by a professional archaeological organisation, either working to a brief prepared by CECAS or through a written scheme of investigation submitted to and agreed by CECAS for the site. Responsibility for the execution and resourcing of the programme of archaeological works and for the archiving and appropriate level of publication of the results lies with the applicant.

Flood Prevention 22 December 2015

In support of the above planning application the Flood Prevention Unit have reviewed the following documents,

Environmental Statement Chapters 4 and 11;
Appendix 11.2 Flood Risk Assessment.

In order to better inform the planning application process further information is required with respect to drainage.

1. The applicant has not completed a self-certification checklist for this application. This should be completed to capture the information.
2. The applicant has noted the individual plot areas in the master plan on figure WIE10135-100_GR_ES_4.2A. At the next stage of the planning process the applicant will be required to confirm the overall amount of impermeable area across the entire master plan to ensure that the maximum discharge rate from the master plan is in line with CEC Flood Prevention guidelines of the lesser of either the 1:2 year greenfield runoff rate or 4.5 l/s/ha impermeable area.
3. The applicant has provided indicative locations for the SuDS detention basins and CEC Flood Prevention are satisfied that sufficient space can be provided within the development to accommodate the basins. We strongly recommend that the volume of storage required is ascertained and the drainage layout finalised prior to the building layout for the rest of the master plan areas.
4. The SuDS basins will be required to be completed prior to the occupation of the first house within the master plan.
5. Please note in the full planning application we will require flow path diagrams that demonstrate that flows are not directed towards buildings and that the surface flows will mirror the current drainage characteristics of the site. Existing and proposed surface water flow paths will be required to be shown on a drawing. Surface water should be dealt with by analysing the existing and proposed flow paths and depths for surface water runoff. This should include runoff from outwith the site, from unpaved areas within the site, and from paved areas in events which exceed the capacity of the drainage system.

Environmental Health & Scientific Services 1 June 2016

The application proposes to erect a new residential development of up to 700 units and a primary school with associated landscaping and roads.

The site covers approximately 65 hectares in the Edmonstone area of south-east Edinburgh which is currently open scrub land. The Edinburgh Royal Infirmary (ERI) and the Edinburgh Bio-Quarter, is situated to the south-west of the site, beyond which lies the A7 Old Dalkeith Road. Residential properties (Danderhall, Midlothian Council) are located adjacent to the south-east, immediately beyond. The Wisp bounds the site to the east.

New residential properties are currently under construction adjacent to the north of the site in the vicinity of Greendykes. There are a number of other committed developments around the site including to the east in Midlothian.

The land is allocated Greens Space in the Second Proposed Local Development Plan 2014. It states that the land known as GR4 is to be retained in the green belt and will be landscaped to provide multi-functional parkland, woodland and country paths linking with parallel developments in Midlothian.

Air Quality

The Local Authority is required under Part IV of the Environment Act 1995 to monitor, review and assess air quality in their area by way of staged processes. In this regard, a number of pollutants require to be assessed against national air quality objectives. Where these objectives are unlikely to be met by the target dates, the Local Authority must declare Air Quality Management Areas (AQMAs). It also prepares and implements an Air Quality Action Plan to manage and improve air quality in pursuit of the objectives. With respect to this process, there are currently no AQMAs in close proximity to the application site. As there are a number of committed developments and land allocated in the Local Plan for future residential developments Environmental Assessment has concerns regarding local air quality in the area. The applicant's air quality impact assessment has not taken all these proposals into consideration therefore the submitted air quality impact assessment cannot be deemed a worst case scenario.

It has also been noted that Transport Planning has concerns with the application due to the pressure this proposal would have on the transport infrastructure. If consent is granted this development would lead to increased congestion and local air pollution.

Noise

The applicant was advised that a noise impact assessment would be required to support the application. It is advised that road traffic, helicopter (from the RIE Hospital operations), industrial, commercial and general hospital operations noises are fully assessed in any noise impact assessment. The development is proposed to be situated directly beneath an existing flight path as presently utilised by the emergency helicopters coming to and going from the hospital. The new RIE children's hospital extension which is under development includes a new helipad. The new helipad is likely to increase the number of flights over the proposed development albeit two other routes to and from the hospital are available for use by the helicopter pilots. In this regard, the developer was advised that an assessment of the current helicopter operations is difficult but confirm but must be carried out in due course and post development of the children's hospital.

Environmental Assessment supports this approach as an updated assessment which will then include the new helipad operations. Therefore in summary, the agent must submit further detailed assessments in relation to industrial, commercial and general hospital operations, helicopter and road traffic noise with mitigation measures designed and recommended at that detailed stage.

Further to the applicants' noise and vibration assessment criteria Environmental Assessment advises that the applicant demonstrates that internal/external noise levels commensurate with BS8233 and the WHO Guidelines for Community Noise are *achieved. The submitted noise impact assessment has a number of discrepancies and could not be relied on for any detailed planning application.*

Ground Condition

The applicant has submitted a Ground Investigation Report which is currently being assessed by Environmental Assessment. Until this has been completed Environmental Assessment recommends that a condition must be attached to any consent to ensure that contaminated land is fully addressed.

Environmental Assessment recommends that the application is refused due to the likely impacts the proposed development would have on local air quality.

Scottish Natural Heritage 21 December 2015

Policy context
This is a strategically important site on the edge of the Local Authority area and presents a range of issues relating to our remit.
Following the consenting of Edmonstone Estate, this proposal occupies a significant area of greenspace proposal area GS 4: South East Wedge Parkland (from the Second Proposed Plan). Supplementary planning guidance for the Bioquarter and South East Wedge Parkland sets out its proposed function as green network. The site has also been identified on a city wide basis in the 2010 Open Space Strategy as an area for the 'creation of [green] network'. We have consistently supported these development principles throughout the current Local Plan period and more recently as set out in the emerging Proposed Plan.
The Council's proposed intention to develop the site as the South East Wedge Parkland would secure and enhance a valuable and substantial area of green infrastructure for the City of Edinburgh, with direct benefit to new and emerging strategic development sites surrounding the site.
The relationship of this site to existing and proposed communities and neighbourhoods also contributes towards delivery of SESplan policy 11 (Delivering the Green Network). This policy sets out requirements for connectivity at a variety of spatial scales including between proposed new strategic development sites and
existing communities and neighbourhoods. Furthermore, this site also lies within an area defined in the SESplan Main Issues Report as a Regional Green Network Priority Area1 . The Green Network Technical Note accompanying the MIR highlights this area within the wider context of the city region and its growth, and as being an "Area important to setting of the city and surrounding settlements, green belt character and gateways". It also emphasises that "A co-ordinated approach to green network development which establishes and maintains a sense of place and delivers cross boundary connections will be important".
In our view, this site could support urban growth within the City of Edinburgh if it is delivered in line with the development principles described above. Whilst doing so it would also form part of a green network with open spaces, active travel networks and habitats operating at a wider regional level. It is worth highlighting that this site could form part of a wider strategic green network out towards the city bypass, and onward to emerging development sites within Midlothian2 and preferred sites identified within East Lothian3. We highlighted these points in our representations on the Proposed Plan (14 June 2013; 03 October 2014) and the Bioquarter and South East Wedge Parkland supplementary guidance (12 August 2013).

Site Assessment - strategic issues
We advise that this proposal has the potential to compromise the Council's ambitions for the creation of a strategic open space as set out in: the second Proposed Plan; the Bioquarter and South East Wedge Parkland supplementary guidance; and the Open Space Strategy.
Furthermore, the proposal has the potential to diminish the site's contribution in helping to deliver the Holyrood to Dalkeith green network as set out in SESPlan MIR Green Network Technical Note. We suggest that there remains a need for further cross boundary work between the relevant Local Authorities to define the co-ordination and planning of the green network in this area and to support the principles of place-making and environmental mitigation for this important strategic area within the City Region. This collaborative approach is supported by SESPlan.
Site Assessment - detailed issues
If the Council is minded to approve this application for Planning Permission in Principle we advise that there are several issues which should be resolved through design modifications or clarified through the production of further detailed information. These issues include:
1) To fully establish how active travel connectivity through the site can be delivered given the proposed location of the school site and distributor road;
2) To fully establish how the various new road and path connections from the proposal to The Wisp, and onward to Midlothian, meet the principles set out in Appendix E of the Active Travel Action Plan;
3) To further consider the issues of wider views from The Wisp towards the Pentlands and Arthur's Seat being restricted by new woodland planting along the road corridor;
1 SESPlan, Green Network Technical Note, July 2015, area 10b: Holyrood to Dalkeith including South East Edinburgh Strategic Development Area.
2 As identified in the Midlothian Council Proposed Plan 2014.
3 East Lothian Main Issues Report 2015.
4) To further consider the landscape and visual impacts and design mitigation of proposed residential development on the prominent ridge south west of the proposed primary school (on Scottish Enterprise land)
5) To fully establish the long term management and maintenance of all remaining open spaces within the application area, and in particular the North Meadow area of the South East Wedge Parkland; and
6) To further detail the mitigation of impacts upon Local Nature Conservation Sites.

Historic Environment Scotland 21 December 2015

This response covers our comments on the ES for our role as consultee, through Scottish Ministers under the above regulations. We have assumed that you are also seeking comments on the proposed development under The Town and Country Planning (Development Management Procedure) (Scotland) Regulations 2013.

This letter contains Historic Environment Scotland's comments for our historic environment interests. That is scheduled monuments and their setting, category A listed buildings and their setting and gardens and designed landscapes and battlefields on their respective Inventories. Edinburgh City Council's archaeology and conservation advisors will be able to advise on the adequacy of the ES for matters including impacts on unscheduled archaeology and category B and C listed buildings.

Historic Environment Scotland's position

While Historic Environment Scotland does not object to the proposed development in principle, we have significant concerns about the impacts on the scheduled monuments incorporated into the scheme.

In particular, we note that a number of the figures accompanying the ES show areas of development impinging on the Home Farm Enclosure 300m ENE of Scheduled Monument (Index no. 6038). While we understand that this may be due to a mapping error, we consider that this issue should be resolved in the detailed scheme for the development.

We also hold concerns about the lack of detail within the Environmental Statement about the proposed treatment of and the development of paths across the Home Farm Enclosure 300m ENE of (Index no. 6038) and Craigmillar Castle, castle and gardens (Index no. 90129) scheduled monuments.

Historic Environment Scotland's advice
We would strongly advise re-designing the scheme to avoid direct impacts on the monuments identified above. In particular, any mapping errors in relation to the scheduled area around Home Farm Enclosure 300m ENE of (Scheduled Monument, Index no. 6038) should be rectified. We would also request that detailed proposals are provided for the incorporation of the scheduled monuments into green space as part of scheme. We would expect these to mitigate the impact of any parkland development (paths etc.).

If the mitigation requested is not provided, it is possible that we would object to a future application.

We would be happy to meet with the applicants and your Council to discuss our concerns in more detail, and to discuss the potential for alternative options.

We have provided additional comments on our consideration of the application and the adequacy of the accompanying Environmental Statement in the attached annex.

Communities and Families 16 May 2016

The application is for planning permission in principle for a residential development, community parkland and a primary school. While it is possible for the developer to submit a planning application which includes a new primary school, it should be noted that for the establishment of any new school, including determination of its location and catchment area, a statutory consultation requires to be undertaken in accordance with the requirements of the Schools (Consultation) (Scotland) Act 2010 as amended by the Children and Young People (Scotland) Act 2014. This would involve the Education, Children and Families Committee considering and approving a proposed statutory consultation paper followed by an official consultation period with final recommendations made to a full Council meeting in an "Outcomes of the Consultation Report" at the end of the consultation process.

The actual number of units and the breakdown of housing types will only be known once detailed applications have been progressed. However, following discussion with the planning case officer, this assessment has been based on a development of 700 homes, consisting of 560 houses and 140 flats.

In line with the new 'Developer Contributions and Affordable Housing' guidance approved by the Planning Committee on 3 December 2015, a city-wide cumulative assessment of housing land capacity and education infrastructure has been prepared. Following the completion of this study, education actions required to mitigate the impact of planned and anticipated housing development, including land safeguards, have been established. The collection of developer contributions towards these actions is through a Contribution Zone approach.

This site is not included in any Contribution Zone as it is not part of the catchment area for any existing non-denominational primary or secondary school and housing development on the site is not supported by the Local Development Plan. However, because of its proximity to Castlebrae High School, it would be appropriate to include it within the Castlebrae Education Contribution Zone if development on the site progressed.
Draft actions to provide the new education infrastructure which it has been assessed would be required to accommodate the additional pupils expected to be generated by new development have been prepared for this Zone.

These actions include the provision of a new primary school at Brunstane (New Housing Site HSG 29 in the Second proposed Local Development Plan), additional classrooms at existing primary schools and increased capacity at either Castlebrae Community High School or, depending on the timing, the new Craigmillar High School which would replace it.

However, these actions did not account for housing development on this site and the number of pupils expected to come from this development could not be accommodated.

If planning permission was granted for this development, there would be a requirement for additional secondary school capacity to accommodate 116 more pupils at either Castlebrae Community High School or, depending on the timing, the new Craigmillar High School which would replace it.
There would also be a requirement for additional primary school capacity and nursery provision. The applicant has suggested that this could be delivered by providing a new primary school on the development site. If that were to be the option which were to be progressed in order to provide the necessary additional capacity, a new single stream (seven class) school and 30/30 nursery would be able to accommodate the pupils generated by this development. This assessment is therefore based on the assumption that a new primary school of this size would be required however if there was a more efficient way of delivering the extra capacity at the time of development then this may be progressed.

In relation to the 24 Roman Catholic (RC) primary pupils expected to be generated by the development, the site is within the catchment of St John Vianney RC Primary School. This school is expected to face accommodation pressures and contributions towards increasing its capacity are being taken for developments in Liberton/Gilmerton. However, the RC primary school which generally serves the Craigmillar area is St Francis' RC Primary School. A catchment review would be required to put the site within the St Francis' RC Primary School catchment area and additional accommodation would be required as committed developments are expected to take *up the spare capacity at this school (which shares a campus with Niddrie Mill Primary School). An additional classroom at either St Francis' RC Primary School or St John Vianney Primary School is therefore assessed as being required to mitigate the impact of the proposed development.*

Payment of the standard contribution for the 'Craigmillar' part of the Zone would not provide sufficient funding to make sure that the additional infrastructure set out above can be delivered and therefore, in line with the 'Developer Contribution and Affordable Housing' guidance (Dec 2015), a 'non-standard' contribution is required.

The guidance states that where a site is not included within the predicted levels of housing development and it 'will result in the requirement for a classroom extension or a new school to accommodate pupils generated from the development, it likely that these additional costs will be required to be borne by the additional site or developer'.

The applicant is therefore required to contribute the following (based on the house/flat numbers set out above and delivery of a new seven class primary school - both of which are subject to change if and when detailed applications are received):

- £7,591,930 (as at Q1 2015) to deliver additional primary school and nursery capacity;
- 2 ha fully serviced and remediated primary school site (at a location to be agreed with Communities and Families);
- £350,000 (as at Q1 2015) for a one class RC primary school extension;
- £3,723,089 (as at Q1 2015) towards the provision of additional secondary school accommodation.

It should be noted that all contributions would require to be index linked based on the increase in the forecast BCIS All-in Tender Price Index between Q1 2015 and the date of payment. In relation to the fully serviced and remediated site, the applicant will have to agree appropriate terms with Communities and Families prior to the S75 being signed.

If the appropriate contribution and the fully serviced and remediated site for a new primary school (at a location to be agreed with Communities and Families) is to be provided by the developer, Communities and Families does not object to the application in principle.

TRANSPORT 13 June 2016

It is recommended that the application be refused.

Reasons:
In line with the approach set out in SPP, the transport Infrastructure enhancement needs arising from the planned growth set out in the LDP have been assessed by a transport appraisal which accompanies the LDP and inform its Action Programme. The Transport Infrastructure Appraisal (June 2013) provides a cumulative assessment of the additional transport infrastructure required to support the new housing development identified within the LDP. Where cumulative impacts have been identified, transport infrastructure to mitigate the impact of the development are established. Contribution Zones are used to collect developer contributions equitably towards these actions.

This site is not proposed within the LDP. Therefore, its transport impact on the strategic road network has not been assessed cumulatively. In addition, whilst the applicant has considered the impact of committed development, the cumulative impact of this site in combination with other developments does not appear to have been assessed. SPP outlines that this should include existing developments of the kind proposed, those which have permission, and valid applications which have not yet been determined.

The Council's Transport Action Programme indicates that development in this area will require to contribute to transport interventions. However, it is unclear whether the additional traffic from this site can be accommodated within the improvement works set out in the Action Programme.

It should be noted that The Wisp is within Midlothian Council's area and therefore the impact of a substantial part of the proposed development will be outside the City of Edinburgh Council's responsibilities.

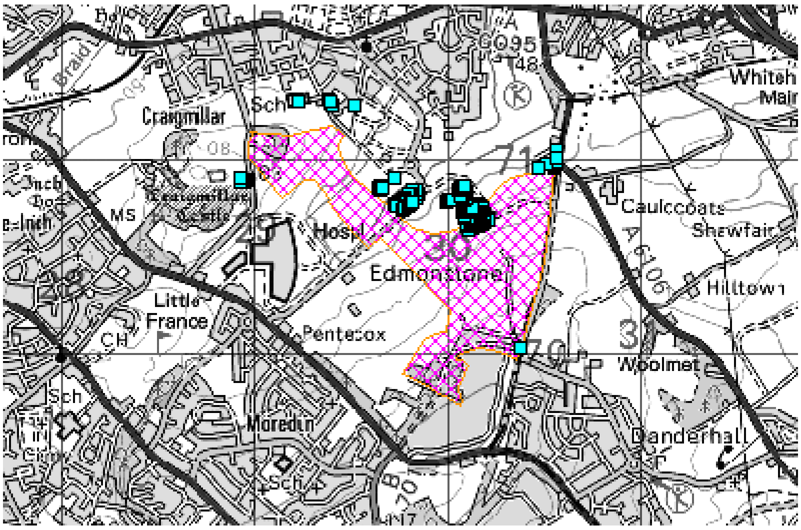
If you are minded to grant the application, the following should be included as conditions or informatives as appropriate:

1. Consent should not be issued until the applicant has entered into a suitable legal agreement to:
a) Contribute appropriate funding to schemes identified in the Transport Action Programme to mitigate the transport impacts of the proposed development and including those identified in the applicant's Transport Assessment, viz.:
Peffer Place / Duddingston Road West New Signalised Junction;
Greendykes Road / Niddrie Mains Road New Signalised Junction;
Craigmillar Castle Avenue / Niddrie Mains Road New Signalised Junction;
Duddington Road West / Niddrie Mains Road Upgrade of Junction;
Harewood Road/ Peffer Place closed/stopped up;
Craigmillar Town Square Pedestrian Improvements;
Wauchope Square Bus Stops;
East of Town Centre Bus Stops;
West of Town Centre Bus Stops;
Duddingston Rd West crossroads to Greendykes Rd Bus Priority Scheme;
Greendykes Road / The Wisp Bus Priority Scheme;
Greendykes Road Bus Priority Scheme;
b) Contribute the sum of £2,000 to progress a suitable order to redetermine sections of footway and carriageway as necessary;
c) Contribute the sum of £2,000 to progress a suitable order to introduce waiting and loading restrictions as necessary;
d) Contribute the sum of £2,000 to progress a suitable order to introduce and control disabled parking spaces as necessary;
2. All accesses must be open for use by the public in terms of the statutory definition of 'road' and require to be the subject of applications for road construction consent. The extent of adoptable roads, including footways, footpaths, accesses, cycle tracks, verges and service strips to be agreed. The applicant should note that this will include details of lighting, drainage, Sustainable Urban Drainage, materials, structures, layout, including points of access onto existing and proposed roads, car and cycle parking numbers including location, design and specification. Particular attention must be paid to ensuring that refuse collection vehicles are able to service the site. The applicant is

recommended to contact the Council's waste management team to agree details. The applicant should note that the road layout is not approved at this time;

3. The access road at Danderhall (constructed under Road Construction Consent ED/11/0013) was approved as a General Access Road serving the development at Edmonstone. This road is now proposed to serve the development under this application. Given the development may be up to 750 residential units, the applicant should not that this road may require upgrading to a Local Distributor Road in order to cope with development traffic;
4. A Quality Audit, as set out in Designing Streets, to be submitted as part of any subsequent planning application and prior to the grant of Road Construction Consent;
5. The applicant should note that new road names will be required for the development and this should be discussed with the Council's Street Naming and Numbering Team at an early opportunity.
6. The applicant must be informed that any proposed on-street car parking spaces cannot be allocated to individual properties, nor can they be the subject of sale or rent. The spaces will form part of the road and as such will be available to all road users. Private enforcement is illegal and only the Council as roads authority has the legal right to control on-street spaces, whether the road has been adopted or not. The developer is expected to make this clear to prospective residents;
7. All disabled persons parking places should comply with Disabled Persons Parking Places (Scotland) Act 2009. The Act places a duty on the local authority to promote proper use of parking places for disabled persons' vehicles. The applicant should therefore advise the Head of Transport if he wishes the bays to be enforced under this legislation. A contribution of £2,000 will be required to progress the necessary traffic order. All disabled persons parking places must comply with Traffic Signs Regulations and General Directions 2002 regulations or British Standard 8300:2009 as approved by the Head of Transport;
8. Electric vehicle charging outlets should be considered for this development which includes:
Dedicated parking spaces with charging facilities.
Ducting and infrastructure to allow electric vehicles to be readily accommodated in the future.

Location Plan



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