

Notice of meeting and agenda

The City of Edinburgh Council

10.00am, Thursday, 28 June 2018

Council Chamber, City Chambers, High Street, Edinburgh

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

Contact

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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 ClubSport Edinburgh (in relation to item 9.1 – Motion by Councillor Staniforth on PPP Schools and Non-Core Hours Charges)
- 3.2 Looked After Champions Board (in relation to item 8.12 – Corporate Parenting Plan)
- 3.3 Tollcross Community Council (in relation to item B1.1 – India Quay Update)
- 3.4 Fountainbridge Canalside Initiative (in relation to item B1.1 – India Quay Update)

4. Minutes

- 4.1 The City of Edinburgh Council of 31 May 2018 (circulated) – submitted for approval as a correct record

5. Questions

- 5.1 By Councillor Jim Campbell – Anticipated High School Costs – for answer by the Convener of the Education, Children and Families Committee
- 5.2 By Councillor Staniforth – Community Toilet Scheme – for answer by the Convener of the Transport and Environment Committee
- 5.3 By Councillor Lang – Garden Waste Collection Charge – for answer by the Convener of the Transport and Environment Committee
- 5.4 By Councillor Lang – Braehead Grove – for answer by the Convener of the Transport and Environment Committee
- 5.5 By Councillor Mowat – Weed Treatment – for answer by the Convener of the Transport and Environment Committee
- 5.6 By Councillor Mowat – Planning Appeals for Non-Determination – for answer by the Convener of the Planning Committee

- 5.7 By Councillor Mowat - Proposed Closures of Cockburn Street and Blair Street During the Edinburgh Festival – for answer by the Convener of the Transport and Environment Committee
- 5.8 By Councillor Whyte - Foreign Travel – for answer by the Leader of the Council
- 5.9 By Councillor Rust - Garden Tax – for answer by the Convener of the Transport and Environment Committee
- 5.10 By Councillor Gloyer - Pedestrian Safety on Ellersly Road – for answer by the Convener of the Transport and Environment Committee
- 5.11 By Councillor Gloyer - Pedestrian Safety on Kaimes Road – for answer by the Convener of the Transport and Environment Committee
- 5.12 By Councillor Booth - Proposed Tram Extension to Newhaven – for answer by the Convener of the Transport and Environment Committee

6. Leader's Report

- 6.1 Leader's report (circulated)

7. Appointments

- 7.1 If any

8. Reports

- 8.1 Transport for Edinburgh Ltd – Appointment of Director and Non-Executive Directors of Lothian Buses Ltd and Edinburgh Trams Ltd – report by the Executive Director of Place (circulated)
- 8.2 Review of Political Management Arrangements 2018 – report by the Chief Executive (circulated)
- 8.3 Implementing the Programme for the Capital Coalition Commitments Progress to June 2018 – report by the Chief Executive (circulated)
- 8.4 Sustainability – report by the Chief Executive (circulated)
- 8.5 Edinburgh Poverty Commission– report by the Chief Executive (circulated)
- 8.6 Edinburgh and South East Scotland City Region Deal – report by the Chief Executive (circulated)
- 8.7 City Deal New Housing Partnership Acquisition of Homes 2018-19 – referral from the Finance and Resources Committee (circulated)

- 8.8 Edinburgh 2050 City Vision – report by the Chief Executive (circulated)
- 8.9 Unaudited Annual Accounts 2017/18 – report by the Executive Director of Resources (circulated)
- 8.10 Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2018 (and Financial Statements) Unaudited - referral from the Pensions Committee (circulated)
- 8.11 Lothian Buses Pension Fund – referral from the Finance and Resources Committee (circulated)
- 8.12 Corporate Parenting Plan – report by the Executive Director for Communities and Families (circulated)
- 8.13 Proposed Compulsory Purchase Orders – Pennywell Town Centre – report by the Executive Director of Place (circulated)
- 8.14 Implementation of Full Cost-charges in Care Homes for Older People Managed by the Council – referral from the Finance and Resources Committee (circulated)
- 8.15 Spend to Save – Funding Applications – referral from the Finance and Resources Committee (circulated)
- 8.16 King’s Theatre – Request for Additional Capital Funding by Capital Theatres – referral from the Finance and Resources Committee (circulated)
- 8.17 Code of Conduct on the Use of Volunteers at Festivals and Events – referral from the Culture and Communities Committee (circulated)

9. Motions

9.1 By Councillor Staniforth - PPP Schools and Non-Core Hours Charges

“Council:

- 1) Notes that from August PPP1 and PPP2 schools will be charging clubs and societies leasing premises outside of core hours an additional £35/hour.
- 2) Notes that sports clubs have not been fully consulted on this price increase and have warned that it could cause clubs to have to close.
- 3) Notes that no assessment of the impact on sports clubs on other users was carried out in advance of the proposal being rolled out.
- 4) Notes that Edinburgh Leisure have tried to resolve this by offering clubs alternative premises but that this is not always possible and/or desirable; and only a matter of days before the end of school term clubs are reporting no clarity on lets available.

- 5) Therefore agrees to delay the imposition of the £35/hour non-core-hour extra charge at PPP schools while a full consultation with sports clubs and other affected bodies is carried out and for a report to be presented to full council or appropriate committee setting out the potential impacts and detailing options for mitigation.”

9.2 By Councillor Doggart – Doddie Foundation

“Council:

- 1) Notes the significant work undertaken by the “My Name’s Doddie Foundation” into raising funds to aid research into the causes of, and potential cures for, Motor Neurone Disease.
- 2) Congratulates those from around the city who have already participated in fundraising activities for the Foundation.
- 3) Sends its best wishes to former rugby internationalists Iwan Tukalo, Roger Baird and Rob Wainwright in their 24 Hour Spinathon for the Foundation on 7 July at the Glasgow Road David Lloyd Centre.
- 4) Recognises the selfless manner in which Doddie has approached his illness, congratulating him, his wife and sons on their willingness to use his fame to seek cures for others
- 5) Further recognises the vital work being carried out by the Euan MacDonald Centre at The University of Edinburgh, and the indomitable spirit displayed by Euan since his diagnosis 15 years ago, aged just 29.”

9.3 By Councillor McLellan - EICC

“Council

- 1) Agrees the Edinburgh International Conference Centre is a vital tool in attracting business tourism and in selling the city to international markets.
- 2) Notes that in 2017 the EICC welcomed 94,000 delegates, doubled its operating profit to £1.2m and generated an economic impact of £55m for the City.
- 3) Congratulates its Chief Executive Marshall Dallas for continuing to work positively to secure its future as the most sustainable conference centre in the world and to increase its dividend to the council.

- 4) Instructs the Executive Director of Place to submit a report in the next cycle to the Housing & Economy Committee to detail measures the Council has taken, and is taking, to work with the EICC to meet its ambition to raise annual profitability to £3m.
- 5) Requests that the report contains full details about the problems encountered with the Exchange 2 project, and any possible solutions.
- 6) Further instructs the Executive Director of Place to include the report into the EICC's capital expenditure requirements over the next 20 years agreed at the last Housing & Economy Committee."

9.4 By Councillor Graczyk – Disability Employment Gap

"Council:

- 1) Notes, the City of Edinburgh Council has only 2% disabled and 78% of non-disabled employees out of the total employee headcount of 18,667, whilst acknowledging 19% provided no information and 1% preferred not to say;
- 2) Further notes, City of Edinburgh Council only has 0.4% disabled and 84.8% of non-disabled employees in senior roles out of the total employee headcount of 541, whilst acknowledging 12.9% provided no information and 1.8% preferred not to say;
- 3) Recognises, the importance of employment extends beyond having an income; it is about fulfilment, development, and good mental health. It allows people to set themselves goals and achieve aspirations;
- 4) Further recognises, employers play a critical role in ensuring that disabled employees succeed and progress in the workplace;
- 5) Calls, for a report in two or three cycles to the Finance and Resources Committee on exploring the best way of closing the disability employment gap, and maximising inclusive promotion opportunities;
- 6) Requests that said report includes, but is not limited to:
 - a) Review clear factors for improving the disability employment gap going forward;
 - b) Design strategies to overcome barriers to work and come up with tangible actions to tackle the disability employment gap;
 - c) Set goals with regards to helping increase and retain the number of disabled people in the City of Edinburgh Council employment;

- d) Explore the development of a communication strategy with the aim to improve the declaration rates to enable better analysis of relevant data;
 - e) Determine a list of indicators to evaluate the success of each of the relevant performance measurements as part of the commitment to increase the number of disabled people in the City of Edinburgh Council employment;
- 7) To sign up, and partner with, the Disability Confident Scheme Scotland as a City of Edinburgh Council employer.”

9.5 By Councillor Whyte – Public Drinking Water

“Council

- 1) Notes the widespread public concern over pollution caused by plastics and the actions the Council and others are taking to reduce and recycle plastic, in particular through the use of reusable drinking bottles which avoid plastic waste.
- 2) Therefore, instructs Council officers to work with Scottish Water and the organisers of Edinburgh’s summer festivals to attempt to make public drinking water fountains available throughout the City Centre during the festivals to give residents and visitors access to free drinking water for immediate use and to allow the refilling of reusable containers.
- 3) Requests Officers to report back on the outcome of discussions through a briefing note to Councillors in July with a full report later detailing how any such scheme could be supported on a broad scale in future years.”

9.6 By Councillor Brown – Cricket Scotland

“Council:

- 1) Congratulates all at Cricket Scotland on their recent historic 6 run One Day International (ODI) victory over ICC’s No.1 ranked England at The Grange Club.
- 2) Records its recognition of the magnificent 140 Not Out innings from Calum MacLeod that helped take Scotland to their highest ever ODI score of 371, just one of several Scottish Cricket records that tumbled in the Stockbridge sunshine.
- 3) Notes the half century knocks by Kyle Coetzer and George Munsey along with a three wicket haul for Matt Watt that guided Scotland to their maiden ODI win over England.”

9.7 By Councillor Webber – Community Event Advertisements: Banners on Pedestrian Guard Rails

“Council:

- 1) Notes with disappointment that a number of community groups and volunteer organisations across the City recently had their promotional banners for their community-based events removed, damaged, lost and/or destroyed by Council representatives without any prior consideration or consultation.
- 2) Notes that these banners are costly and subsequent repairs or replacements will have to be met by said community groups, largely run by volunteers.
- 3) Recognises that there is a process in place in respect of approved placement of banners <http://eventsedinburgh.org.uk/Events-Planning-Partners.html>
- 4) Recognises that the advice in point 3 is not common knowledge and is neither advertised nor proactively provided to organisations upon their application to hold local events. This has resulted in an inconsistent approach to the removal of the aforementioned banners.
- 5) Recommends that a review takes place of the application and approval process to hold community based events to include an approval provision for advertising banner placement.
- 6) Recommends further review of the Approved Banner Locations in each Locality to ensure consistency is applied throughout the City.

Recommends that this review paper is referred to Culture and Communities for approval within 1 cycle.”

9.8 By Councillor Cameron – 70th Anniversary of the NHS

“Council:

- i) Notes the forthcoming 70th anniversary in July 2018 of the establishment in 1948 of a UK wide National Health Service, free at the point of need to everyone;
- ii) Conveys its gratitude and deepest appreciation, on behalf of the people of Edinburgh, to all who have worked in, volunteered for, represented NHS staff, raised funds for, and bequeathed legacies to our beloved NHS over the past 70 years; and
- iii) Asks the Lord Provost to write to the Chief Executive and Board of NHS Lothian on behalf of the Council in these terms.”

9.9 By Councillor Day – Charter Against Modern Slavery

“Council notes the terms of the Co-operative Party’s Charter Against Modern Slavery which commits each participating Council to:

1. Train its corporate procurement team to understand modern slavery through the Chartered Institute of Procurement and Supply’s (CIPS) online course on Ethical Procurement and Supply.
2. Require its contractors to comply fully with the Human Trafficking and Exploitation (Scotland) Act 2015 and the Modern Slavery Act 2015 wherever they apply, with contract termination as a potential sanction for non-compliance.
3. Challenge any abnormally low-cost tenders to ensure they do not rely upon the potential contractor practising modern slavery.
4. Highlight to its suppliers that contracted workers are free to join a trade union and are not to be treated unfairly for belonging to one.
5. Publicise its whistle-blowing system for staff to blow the whistle on any suspected examples of modern slavery.
6. Require its tendered contractors to adopt a whistle-blowing policy which enables their staff to blow the whistle on any suspected examples of modern slavery.
7. Review its contractual spending regularly to identify any potential issues with modern slavery.
8. Highlight for its suppliers any risks identified concerning modern slavery and refer them to the relevant agencies to be addressed.
9. Refer for investigation via the National Crime Agency’s national referral mechanism any of its contractors identified as a cause for concern regarding modern slavery.
10. Report publicly on the implementation of this policy annually.

Council agrees to sign up to the Charter and asks the Director of Resources to report to the September meeting of the Corporate Policy Strategy Committee on how this will be implemented.”

9.10 By Councillor Child - Self Build Projects

“Council:

- congratulates the Bath Street Collective Customers Build self builders and architect John Kingsley on their Edinburgh award winning Bath Street development, now also shortlisted for a national Saltire Award,
- notes the Planning Committee and Housing & Economy Committee Members recently visited the building as part of their Annual Tour 2018 with the Urban Design Panel Members,
- calls for a report identifying any suitable Council-owned sites which might be wholly or partially used for self-build projects without compromising our commitment to provide more affordable housing.”

Laurence Rockey

Head of Strategy and Insight

Information about the City of Edinburgh Council meeting

The City of Edinburgh Council consists of 63 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 item of business likely to be considered in private, see separate agenda.

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The City of Edinburgh Council

Edinburgh, Thursday 31 May 2018

Present:-

LORD PROVOST

The Right Honourable Frank Ross

COUNCILLORS

Robert C Aldridge
Scott Arthur
Gavin Barrie
Chas Booth
Claire Bridgman
Mark A Brown
Graeme Bruce
Steve Burgess
Lezley Marion Cameron
Ian Campbell
Jim Campbell
Mary Campbell
Kate Campbell
Maureen M Child
Nick Cook
Gavin Corbett
Cammy Day
Alison Dickie
Denis C Dixon
Phil Duggart
Marion Donaldson
Karen Doran
Scott Douglas
Catherine Fullerton
Neil Gardiner
Gillian Gloyer
George Gordon
Ashley Graczyk
Joan Griffiths
Derek Howie

Graham J Hutchison
Andrew Johnston
David Key
Callum Laidlaw
Kevin Lang
Lesley Macinnes
Melanie Main
John McLellan
Amy McNeese-Mechan
Adam McVey
Claire Miller
Max Mitchell
Joanna Mowat
Gordon J Munro
Hal Osler
Ian Perry
Susan Rae
Alasdair Rankin
Lewis Ritchie
Cameron Rose
Neil Ross
Jason Rust
Stephanie Smith
Alex Staniforth
Mandy Watt
Susan Webber
Iain Whyte
Donald Wilson
Norman J Work
Louise Young

1 Minutes

Decision

To approve the minute of the Council of 3 May 2018 as a correct record.

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. He commented on:

- Satisfaction survey results
- Suffragette walk
- White Ribbon Scotland – sexual harrassment
- City Deal - progress

The following questions/comments were made:

Councillor Whyte	- Health and Social Care figures
Councillor Burgess	- Low income families – help with rent – Local Housing Allowance
	- Edinburgh 2050 City Vision
Councillor Aldridge	- Garden Tax – additional charge for brown bin collection
Councillor Day	- Congratulations – Councillor Munro – Parliamentary Candidate Nomination
Councillor Kate Campbell	- Congratulations to Port of Leith and CCG - Homes for Scotland Awards
Councillor Johnston	- Hardie Inquiry – Tram Project – lessons learned
Councillor Miller	- Let There Be Light Campaign Group – India Buildings – Third Party Right of Appeal
Councillor Lang	- First Bus – proposed changes to services from Queensferry and Kirkliston to St John's Hospital

- Councillor Donaldson - Drum Property Group Proposed Development at Stead's Place, Leith Walk – proposed meeting
- Councillor McNeese-Mechan - Powers to rein in the powers of the short term holiday let industry
- Councillor Laidlaw - Council budgets – demonstration of best value – recent visit to China of four members of the Administration
- Councillor Munro - Police SLA – Community Policing in the City
- Councillor Arthur - Biggest impact of cuts to Local Government funding to date and biggest pressure being faced going forward
- Councillor Cameron - Gender balance in the Board Room
- Councillor Barrie - EDI – decision to wind up EDI – thanks to staff
- Councillor Doran - Dot Horne, 6VT - Year of the Young Person – how to mark this year
- Councillor Bruce - Condition of roads and pavements – inadequate budget allocation
- Councillor Young - Thanks for generosity for donations to Kira Noble fundraising
- Recent uncertainty with playscheme service
- Councillor Webber - Subsidised bus service from Currie/Balerno/Juniper Green to St John's Hospital - update
- Councillor Douglas - Actions to alleviate poverty
- Councillor Doggart - Statistics for Social Care
- Councillor Mitchell - Edinburgh Satisfaction Survey – diesel surcharge response
- Councillor Ian Campbell - Congratulations – Scottish Women's Premier League Team Hibernian

4 The EDI Group Ltd – Transition Strategy

An update was provided on the progress made to date in closing down EDI Group Ltd and its subsidiary companies and bringing its development activities and land holdings into the Council.

Decision

- 1) To note the EDI Transition Strategy as agreed by the Housing and Economy Committee and the progress made to date in its delivery.
- 2) To agree the governance arrangements, as proposed, for the next stages of transition and instruct CEC Holdings Ltd Board to proceed on this basis.
- 3) To agree the revisions to the Shareholder Agreement in respect of CEC Holdings and EDI Group Ltd.
- 4) To agree to the pension liability being taken forward by the Council on an ongoing basis rather making a cessation payment.
- 5) To agree to the setting aside and potential use of up to £1m from the Council's City Strategic Investment Fund to cover any cash flow issues that might arise over the remainder of the transition period.
- 6) To agree to the Parc Craigmillar Ltd Loan Book being transferred to the Council.

(Reference – report by the Executive Director of Place, submitted.)

Declaration of Interests

Councillors Cameron and Whyte declared a non-financial interest in the above item as members of EDI and its subsidiary companies.

Councillor Kate Campbell declared a non-financial interest in the above item as a member of EDI.

Councillor Rose declared a non-financial interest in the above item as a member of CEC Holdings and the Pensions Committee.

5 Fair Fringe and Fair Hospitality Charter Guidelines

In response to a motion by Councillor Cameron, details were provided on how the ten aims of the Fair Hospitality Charter could best be promoted and adhered to by employers hiring Council-owned Festival and Fringe venues for the purposes of running Fringe events and hosting food and Beveridge venues.

Motion

To approve the Edinburgh Festival Workers Welfare Commitment.

- moved by Councillor Wilson, seconded by Councillor McNeese Mechan

Amendment 1

To add to the recommendations:

1.1.2 Calls for report on the Charter's efficacy to go to Culture and Communities Committee after August 2019.

1.1.3 Change Commitment 1 paragraph 3 to read:

“The Council expects engaging organisations to align to the same commitment where possible to ensure fair pay, to no less than the Scottish Local Government Living Wage level for those aged 25+, irrespective of age (currently £8.51, per hour).”

1.1.4 Add to Commitment 6 the following two paragraphs:

"Organisations engaging workers should comply with Health and Safety Regulations, including written risk assessments where appropriate.

“Organisations should also offer contractual sickness pay.”

- moved by Councillor Staniforth, seconded by Councillor Rae

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

Amendment 2

To approve the Edinburgh Festival Workers Welfare Commitment.

- moved by Councillor Mitchell, seconded by Councillor Brown

Voting

For the motion (as adjusted)	-	43 votes
For Amendment 2	-	18 votes

(For the motion : The Lord Provost, Councillors Aldridge, Arthur, Barrie, Booth, Bridgman, Burgess, Cameron, Ian Campbell, Kate Campbell, Mary Campbell, Child, Corbett, Day, Dickie, Dixon, Donaldson, Doran, Fullerton, Gardiner, Gloyer, Gordon, Griffiths, Howie, Key, Lang, Macinnes, McNeese-Mechan, McVey, Main, Miller,

Munro, Osler, Perry, Rae, Rankin, Ritchie, Neil Ross, Staniforth, Watt, Wilson, Work and Young.

For Amendment 2: Councillors Brown, Bruce, Jim Campbell, Cook, Doggart, Douglas, Graczyk, Hutchison, Johnston, Laidlaw, McLellan, Mitchell, Mowat, Rose, Rust, Smith, Webber and Whyte.)

Decision

To approve the following adjusted motion:

- 1) To approve the Edinburgh Festival Workers Welfare Commitment.
- 2) To call for report on the Charter's efficacy to go to the Culture and Communities Committee after August 2019.
- 3) To change Commitment 1 paragraph 3 to read:

"The Council expects engaging organisations to align to the same commitment where possible to ensure fair pay, to no less than the Scottish Local Government Living Wage level for those aged 25+, irrespective of age (currently £8.51, per hour)."

- 4) To add to Commitment 6 the following two paragraphs:

"Organisations engaging workers should comply with Health and Safety Regulations, including written risk assessments where appropriate.

"Organisations should also offer contractual sickness pay."

(References – Act of Council No 15 of 24 August 2017; report by the Executive Director of Place, submitted.)

Declaration of Interests

Councillor Mitchell declared a financial interest in the above item as an employee of a fringe venue.

6 Edinburgh Transient Visitor Level

Details were provided on the findings from a comprehensive desk based research into an Edinburgh Transient Visitor Levy (TVL) together with further activities related to the Edinburgh (TVL).

Motion

- 1) To agree that the current research paper on the Edinburgh TVL would form the basis of further engagement work involving visitors, residents, and the business community on the Edinburgh TVL.
- 2) To note plans for future engagement over the Summer as set out in paragraph 4.1 of the report by the Chief Executive.
- 3) To note that a report would come back to Council once this further engagement had taken place.

- moved by Councillor McVey, seconded by Councillor Day

Amendment 1

Council:

- 1) Notes the content of the report.
- 2) Notes the remarks of The Cabinet Secretary for Culture, Tourism and External Affairs Fiona Hyslop MSP in a letter to the British Hospitality Association in December 2017;

As you know the Scottish Government have been consistent in our stance that given the potential impact on tourism enterprises already subject to, for example, high rates of VAT we have no plans to introduce a tourism levy. I would repeat that, irrespective of the mechanism used to introduce the topic, the Scottish Ministers are not willing to consider requests to explore a possible tourism levy with local government unless the tourism and hospitality industry are involved from the outset and their long-term interests are fully recognised in any work.

- 3) Regrets that while Health and Social Care is in crisis and our roads and our council estate are crumbling, the time of Council Officers and ultimately council tax-payers money has been spent producing a report on a levy which the Council does not have the power to introduce, and the Scottish Government does not support.
- 4) Notes the failure of the SNP led administration, over a sustained period of time to successfully lobby the Scottish Government to devolve the power to impose such a levy to local authorities or to gain meaningful support from the Edinburgh tourism sector.
- 5) Acknowledges that Edinburgh as a Capital City incurs significant additional expenses in relation to civic and international events but receives no

additional funding from the Scottish Government in recognition of this, and the fact that according to the Local Government Finance: Facts and Figure 2013-14 to 2018-19 report published by the Scottish Government on May 21st;

In real terms, between 2013-14 and 2017-18, the local government Revenue settlement decreased at a much faster rate (-7.1% or -£744.7m) than the Scottish Government Revenue budget (including NDRI) (-1.8% or -£547.3m).

The same report also states that Edinburgh's local government funding per head has been reduced by 8.4% in real terms over this period.

- 6) Instructs the Council Leader to lobby the Scottish Government for additional funding commensurate with Edinburgh's status as Scotland's Capital City.

- moved by Councillor Hutchison, seconded by Councillor McLellan

Amendment 2

To insert at the end of the recommendations:

- 1.4 Agrees, in addition to the next steps detailed in paragraph 3.4, to further develop the research to include:
- a) how a tourist levy would apply to and impact on different types of visitor, and
 - b) how the income raised could be used to support different types of day to day services and capital investment.

- moved by Councillor Miller, seconded by Councillor Burgess

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

Voting

For the motion (as adjusted)	-	43 votes
For Amendment 2	-	18 votes

(For the motion : The Lord Provost, Councillors Aldridge, Arthur, Barrie, Booth, Bridgman, Burgess, Cameron, Ian Campbell, Kate Campbell, Mary Campbell, Child, Corbett, Day, Dickie, Dixon, Donaldson, Doran, Fullerton, Gardiner, Gloyer, Gordon, Griffiths, Howie, Key, Lang, Macinnes, McNeese-Mechan, McVey, Main, Miller, Munro, Osler, Perry, Rae, Rankin, Ritchie, Neil Ross, Staniforth, Watt, Wilson, Work and Young.

For the amendment: Councillors Brown, Bruce, Jim Campbell, Cook, Duggart, Douglas, Graczyk, Hutchison, Johnston, Laidlaw, McLellan, Mitchell, Mowat, Rose, Rust, Smith, Webber and Whyte.)

Decision

To approve the following adjusted motion:

- 1) To agree that the current research paper on the Edinburgh TVL would form the basis of further engagement work involving visitors, residents, and the business community on the Edinburgh TVL.
- 2) To note plans for future engagement over the Summer as set out in paragraph 4.1 of the report by the Chief Executive.
- 3) To note that a report would come back to Council once this further engagement had taken place.
- 4) To agree, in addition to the next steps detailed in paragraph 3.4 of the report, to further develop the research to include:
 - a) how a tourist levy would apply to and impact on different types of visitor, and
 - b) how the income raised could be used to support different types of day to day services and capital investment.

(Reference – report by the Chief Executive, submitted.)

7 Report of Pre-Determination Hearing – 1 Riccarton Mains Cottages, Riccarton Mains Road, Currie (Land 320 Metres Southeast Of) – 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 H & H Properties Plc, 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.

Decision

To refuse planning permission in principle for the following reasons;

- 1) The proposal was contrary to the provisions of Policy Env 10 (Development in the Green Belt and Countryside) of the Edinburgh Local Development Plan

(LDP) as it did not meet any of the criteria a) to d) for inclusion and it would detract from the landscape quality and the rural character of the area.

- 2) The proposal was contrary to the Edinburgh Local Development Plan Policy Hou 1 (Housing Development) as it did not satisfy any of the criteria in Hou 1 Part 1 and did not satisfy Hou 1 Part 2 because it was not in keeping with the character of the local area, would undermine Green Belt objectives, had not fully demonstrated what additional infrastructure was required and that it could be provided within a relevant timeframe, and was not sustainable, to the detriment of the overall objectives of the Local Development Plan policy.
- 3) The proposal was contrary to the provisions of the Edinburgh Local Development Plan Policy Tra 8 (Provision of Transport Infrastructure) as it had not fully demonstrated the cumulative effects of the proposal and that it could be addressed within a relevant timeframe. The proposal was contrary to Edinburgh Local Development Plan Policies Des 1 and Des 4 as the development would not have a positive impact on its setting, the wider landscape and views.
- 4) The proposal was contrary to the provisions of the Edinburgh Local Development Plan Policy ENV 22 (Pollution and Air, Water and Soil Quality) as insufficient evidence had been submitted to demonstrate that there would be no significant cumulative adverse effects on local air quality and that noise from overhead pylons would not have a detrimental impact on future resident amenity.
- 5) The proposal was contrary to the provisions of the Edinburgh Local Development Plan Policy Hou10 (Community Facilities) as it had not demonstrated that facilities, including healthcare, were available.
- 6) The proposal was contrary to the provisions of Scottish Planning Policy (2014) section 80, as it would result in the non-essential and permanent loss of prime agricultural land.
- 7) The proposal was inconsistent with the spatial strategy of the Strategic Development Plan as it would introduce development to greenfield land outwith the identified Strategic Development Areas.

(References – Development Management Sub-Committee 25 April 2018 (item 3); referral report from the Development Management Sub-Committee, submitted.)

8 Outcome of the Statutory Consultation Process on the Proposal to Build a New Non-Denominational Secondary School to Replace Castlebrae High School and Implement Minor Catchment Change to Formalise and Align Catchment Boundaries

The Lord Provost ruled that the following item, notice of which had been given at the start of the meeting, be considered as a matter of urgency in order that it be considered within the required timescales.

Details were provided on the statutory consultation which had been undertaken on the proposal to provide a new secondary school to replace Castlebrae High School on the site identified in Craigmillar Town Centre and a minor catchment review to formalise and align catchment boundaries as a result of new build housing in the area.

Decision.

- 1) To agree that the proposal to relocate Castlebrae High School to a new building in Craigmillar town centre be progressed.
- 2) To agree that the minor changes to formalise and align catchment boundaries outlined in the statutory consultation paper be implemented in the November prior to the new building opening.

(Reference – report by the Executive Director of Place, submitted.)

9 Recycling Facilities in Council Buildings – Motion by Councillor Burgess

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

“Council;

Believes that high-quality recycling facilities should be provided at all Council buildings, including our schools, to allow staff, the public and pupils to be able to prevent recyclable material being dumped in landfill or incinerated;

Understands for example that not all Council buildings including schools have adequate recycling facilities for different kinds of recyclable waste such as packaging, paper, glass and food waste;

Therefore calls for a report to the Transport and Environment Committee in two cycles on improving recycling facilities in schools and other council buildings.”

Decision

To approve the motion by Councillor Burgess.

10 Scotland's Charter for a Tobacco-free Generation – Motion by Councillor Main

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

“Council notes

1. Smoking is the biggest avoidable cause of death in Scotland and results in the disability and impoverishment of thousands of people in Edinburgh every year. Childhood exposure to second-hand smoke causes ill-health, reduces educational attainment, and smoking imagery can lead children to become smokers themselves.
2. The Scottish Government's target of a Tobacco-free Scotland by 2034 (5% prevalence or less).
3. Notes the action already being undertaken by the Council with partners, and that Council Trading Standards Officers have shared an award from ASH Scotland for their work with NHS Lothian Health Promotion Service and other organisations in the #Notafavour Campaign to reduce the supply of tobacco to under 18's by adults.
4. Notes that four Edinburgh Schools, Currie Community High, Firhill High, Castlebrae High and Royal High have signed up to the charter.

Council endorses the Principles of Scotland's Charter for a Tobacco-free Generation:

1. every baby should be born free from the harmful effects of tobacco;
2. children have a particular need for a smoke-free environment;
3. all children should play, learn and socialise in places that are free from tobacco;
4. every child has the right to effective education that equips them to make informed positive choices on tobacco and health;
5. all young people should be protected from commercial interests which profit from recruiting new smokers;
6. any young person who smokes should be offered accessible support to help them to become tobacco-free.

Therefore

1. Council calls for a report in two cycles to the Corporate Policy and Strategy Committee reviewing Council strategy, policy and practice to ensure that the Council is helping protect children from tobacco, reducing the harm caused by tobacco in our communities and encouraging others to do the same. The report will include action undertaken to date, such as a smoking ban on all Council property including parks and membership of Lothian Tobacco Prevention Working group, and options for further action.
2. Agrees to sign up to the Charter for a Tobacco-free Generation.”

Motion

To approve the motion by Councillor Main

- moved by Councillor Main, seconded by Councillor Mary Campbell

Amendment

To approve the motion by Councillor Main and agree that the report to the Corporate Policy and Strategy Committee also be referred to the Edinburgh Partnership for their consideration.

- moved by Councillor McVey, seconded by Councillor Day

In accordance with Standing Order 20(7), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Main:

Council notes

1. Smoking is the biggest avoidable cause of death in Scotland and results in the disability and impoverishment of thousands of people in Edinburgh every year. Childhood exposure to second-hand smoke causes ill-health, reduces educational attainment, and smoking imagery can lead children to become smokers themselves.
2. The Scottish Government's target of a Tobacco-free Scotland by 2034 (5% prevalence or less),
3. Notes the action already being undertaken by the Council with partners, and that Council Trading Standards Officers have shared an award from ASH Scotland for their work with NHS Lothian Health Promotion Service and other

organisations in the #Notafavour Campaign to reduce the supply of tobacco to under 18's by adult.

4. Notes that four Edinburgh Schools, Currie Community High, Firhill High, Castlebrae High and Royal High have signed up to the charter

Council endorses the Principles of Scotland's Charter for a Tobacco-free Generation:

1. every baby should be born free from the harmful effects of tobacco;
2. children have a particular need for a smoke-free environment;
3. all children should play, learn and socialise in places that are free from tobacco;
4. every child has the right to effective education that equips them to make informed positive choices on tobacco and health;
5. all young people should be protected from commercial interests which profit from recruiting new smokers;
6. any young person who smokes should be offered accessible support to help them to become tobacco-free.

Therefore

1. Council calls for a report in two cycles to the Corporate Policy and Strategy Committee reviewing Council strategy, policy and practice to ensure that the Council is helping protect children from tobacco, reducing the harm caused by tobacco in our communities and encouraging others to do the same. The report will include action undertaken to date, such as a smoking ban on all Council property including parks and membership of Lothian Tobacco Prevention Working group, and options for further action.
2. Agrees to sign up to the Charter for a Tobacco-free Generation.
3. Agrees that the report to the Corporate Policy and Strategy Committee also be referred to the Edinburgh Partnership for their consideration.

11 Edinburgh Does Not Welcome Donald Trump – Motion by Councillor Staniforth

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

“Council:

1. Notes that Donald Trump is likely to visit the UK this summer and this visit may include Scotland.
2. Notes Trump’s record on race relations is dire; his so-called ‘Muslim ban’ caused distress and chaos to US Muslim families and his stated aim to build a wall between the US and Mexico is regressive and undesirable.
3. Notes that Trump’s record on gender is equally bad; both his campaign and his short tenure have been littered with misogynistic commentary and his ill-conceived attempt to ban transgender people serving in the armed forces was deeply transphobic.
4. Notes that points 3 and 4 are just two in a long list of reasons why Donald Trump is unfit for public office.
5. Affirms that Edinburgh is a welcoming and international city, which opens its arms to all ethnicities and religions; all sexualities and genders.
6. Therefore, as representatives of Scotland’s capital, does not welcome President Trump to Scotland and will not engage in any civic welcome extended to him.”

Motion

To approve the following adjusted motion by Councillor Staniforth:

Council:

1. Notes that Donald Trump is likely to visit the UK this summer and this visit may include Scotland.
2. Notes Trump’s record on race relations is dire; his so-called ‘Muslim ban’ caused distress and chaos to US Muslim families and his stated aim to build a wall between the US and Mexico is regressive and undesirable.
3. Notes that Trump’s record on gender is equally bad; both his campaign and his short tenure have been littered with misogynistic commentary and his ill-

conceived attempt to ban transgender people serving in the armed forces was deeply transphobic.

4. Notes that points 2 and 3 are just two in a long list of reasons why Donald Trump is unfit for public office.
5. Affirms that Edinburgh is a welcoming and international city, which opens its arms to all ethnicities and religions; all sexualities and genders.
6. Therefore Edinburgh Council does not welcome President Trump to Scotland and will not engage in any civic welcome extended to him.

- moved by Councillor Staniforth, seconded by Councillor Rae

Amendment 1

Council:

- 1) Notes that Donald Trump is likely to visit the UK this summer and this visit may include Scotland.
- 2) Notes Donald Trump's record on race relations is dire; his so-called 'Muslim ban' caused distress and chaos to US Muslim families and his stated aim to build a wall between the US and Mexico is regressive and unacceptable.
- 3) Notes that Donald Trump's record on gender is equally bad; both his campaign and his short tenure have been littered with misogynistic commentary and his ill-conceived attempt to ban transgender people serving in the armed forces was deeply transphobic.
- 4) Condemns Donald Trump's actions detailed in points 2 and 3.
- 5) Affirms that Edinburgh is a welcoming and international city, which opens its arms to all ethnicities and religions; all sexualities and genders.

- moved by Councillor McVey, seconded by Councillor Day

Amendment 2

To take no action on the matter.

- moved by Councillor Doggart, seconded by Councillor Smith

Voting

For the Motion	-	8 votes
Amendment 1	-	35 votes
Amendment 2	-	18 votes

(For the motion: Councillors Booth, Burgess, Mary Campbell, Corbett, Main, Miller, Rae and Staniforth.

For Amendment 1: The Lord Provost, Councillors Aldridge, Arthur, Barrie, Bridgman, Cameron, Ian Campbell, Kate Campbell, Child, Day, Dickie, Dixon, Donaldson, Doran, Fullerton, Gardiner, Gloyer, Gordon, Griffiths, Howie, Key, Lang, Macinnes, McNeese-Mechan, McVey, Munro, Osler, Perry, Rankin, Ritchie, Neil Ross, Watt, Wilson, Work and Young.

For Amendment 2: Councillors Brown, Bruce, Jim Campbell, Cook, Doggart, Douglas, Graczyk, Hutchison, Johnston, Laidlaw, McLellan, Mitchell, Mowat, Rose, Rust, Smith, Webber and Whyte.)

Decision

To approve Amendment 1 by Councillor McVey.

12 Locality Committee Funding Oversight Locus – Motion by Councillor Jim Campbell

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

“Council:

- 1) Notes the significant amounts of grant expenditure in Localities detailed in answer to Question 23 at Council on 24 August 2017, and contrasts this with the amounts in the Neighbourhood Environment Programme / Community Grants Fund Report to Locality Committees in the last cycle.

	Council 24 August, Grant Expenditure 2016/17	Community Grant Fund, 2017/18	HRA & Roads NEP Budget 2018/19
	£M	£M	£M
North West	1.956	0.114	0.734
North East	1.150	0.089	0.666
South West	0.927	0.094	0.672
South East	0.656	0.109	0.528

- 2) Welcomes the comments of the Convener of the Culture and Communities Committee in Council on 24 August 2017 in response to being asked what

proportion of the total budget he would like to see spent through the Localities Committees, when he replied.

“Well that’s an interesting question. I wouldn’t like to guess a percentage at this moment in time. But it’s certainly worth thinking about and, as we go into consultation, as we’re in consultation, over the summer about the structure of the Localities and how it’s going to look on the ground, that is certainly something we should consider. But we have to consider it across all four Localities.”

- 3) Therefore instructs officers to prepare a report with proposals for involving each Locality Committee in the distribution of Council funds in their Locality in two cycles to go to each Locality Committee for comment and then to be referred to the Culture and Communities Committee for its consideration.”

Decision

To note that the motion had been withdrawn.

13 Local Engagement with Portfolio Planning – Motion by Councillor Webber

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

“Council:

Notes Council owned buildings and assets often change their use. There is a specific case in Currie whereby a building that was used by The Health and Social Care Partnership has been vacated and it is currently undergoing an assessment with plans to repurpose it for other uses.

This feasibility study is taking place without any assessment or consultation with the local community where much needed space is limited and very much needed for projects such as Dementia Hub and a venue for a local nursery group.

- 1) Calls for a report to identify how many assets have been “repurposed” in this manner, by ward over the last 12 months and details the specified change in use.
- 2) Calls for a report with a view to ensuring portfolio planning no longer make decisions in isolation on a property by property basis but take a more strategic approach, engage with local communities, and identify the best and most appropriate use for the assets.”

Motion

To approve the motion by Councillor Webber

- moved by Councillor Webber, seconded by Councillor Brown

Amendment

Council:

- 1) Notes the motion from Councillor Webber.
- 2) Notes that the Council already takes a strategic approach to property assets via the Finance and Resources Committee receiving regular updates on the Asset Management Strategy (AMS) supplemented by reports on individual assets that considers and identifies the best and most appropriate use for those assets.
- 3) Agrees that within two cycles the AMS report to the Finance and Resources Committee will review the process for assessing potential property use when property falls vacant, when a lease is terminated or when property is declared surplus to requirements. The process should look at committee decisions or delegated decisions and consider what criteria are used in coming to a decision or recommendation, for example: local or city need and demand for services: community views and engagement; investment needs; and best value.

- moved by Councillor Rankin, seconded by Councillor Donaldson

In accordance with Standing Order 20(7), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Webber:

Council:

Notes Council owned buildings and assets often change their use. There is a specific case in Currie whereby a building that was used by The Health and Social Care Partnership has been vacated and it is currently undergoing an assessment with plans to repurpose it for other uses.

This feasibility study is taking place without any assessment or consultation with the local community where much needed space is limited and very much needed for projects such as Dementia Hub and a venue for a local nursery group.

- 1) Calls for a report to identify how many assets have been “repurposed” in this manner, by ward over the last 12 months and details the specified change in use.
- 2) Calls for a report with a view to ensuring portfolio planning no longer make decisions in isolation on a property by property basis but take a more strategic approach, engage with local communities, and identify the best and most appropriate use for the assets.
- 3) Notes that the Council already takes a strategic approach to property assets via the Finance and Resources Committee receiving regular updates on the Asset Management Strategy (AMS) supplemented by reports on individual assets that considers and identifies the best and most appropriate use for those assets.
- 4) Agrees that within two cycles the AMS report to the Finance and Resources Committee will review the process for assessing potential property use when property falls vacant, when a lease is terminated or when property is declared surplus to requirements. The process should look at committee decisions or delegated decisions and consider what criteria are used in coming to a decision or recommendation, for example: local or city need and demand for services: community views and engagement; investment needs; and best value.

14 Deaf Awareness Week – Motion by Councillor Graczyk

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

“Council:

1. Notes, the annual observance of Deaf Awareness Week for 2018 was between 14th to 20th May.
2. Recognises, the purpose of Deaf Awareness Week is to increase public awareness of deaf issues, people, and culture. It also raises awareness of the importance of meaningful connections and effective communication for people who suffer from hearing loss and deafness.
3. Celebrates, a unique campaign of so many various organisations collaborating and working together to promote their own version of work to raise awareness and challenge perceptions of hearing loss and deafness across the UK.
4. Thanks the UK Council on Deafness and others for co-ordinating a series of activities and events across the UK throughout Deaf Awareness Week to

encourage people to come together as a community for both educational events and celebrations.”

Decision

To approve the motion by Councillor Graczyk.

15 Private Business – Motion by Councillor Lang

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

“Council

1. Notes the provisions contained within Section 50(A) of the Local Government (Scotland) Act 1973 which allow for certain matters of Council business to be considered and decided upon in private.
2. Notes the requirements within the Councillors’ Code of Conduct to respect and comply with the requirement to keep such information private.
3. Recognises the need for confidential matters to be handled in a consistent manner by elected members but notes there are currently no formal provisions for when the confidentiality around specific matters is lifted and matters can be shared and discussed publicly.
4. Requests that council officers use the planned report on political management arrangements at the 28 June Council meeting to include proposals to either amend standing orders or issue formal guidance to address this issue.”

Decision

To approve the motion by Councillor Lang.

16 The Marriage of the Earl and Countess of Dumbarton – Motion by Councillor Bruce

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

“Council:

- 1) Congratulates their Royal Highnesses the Earl and Countess of Dumbarton on their recent marriage and wishes them every success for their future life together.

- 2) Asks the Lord Provost to write to their Royal Highnesses on behalf of the Council and the citizens of Edinburgh to offer our congratulations and best wishes.”

Decision

To approve the motion by Councillor Bruce.

17 Number of reports presented to Council and all Council Committees Since Inception of the Current Council – Motion by Councillor Doggart

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

“Council:

Instructs the Chief Executive to report to Governance, Risk and Best Value Committee within one cycle on the number of reports presented to Council and all Council committees since the inception of the current Council. The report should contain:

- a) Number of reports due for committee
- b) Number of reports presented to committee/Council on time
- c) Number of reports presented late, or not at all, to committee/Council
- d) The reasons for the late presenting of reports
- e) Steps the Chief Executive will take to ensure no further report deadlines are missed during the current Council: and

Any other information the Chief Executive believes will inform Council.”

Motion

To approve the motion by Councillor Doggart.

- moved by Councillor Doggart, seconded by Councillor Jim Campbell

Amendment 1

To refer the motion to the Governance, Risk and Best Value Committee for their consideration.

- moved by Councillor McVey, seconded by Councillor Day

Amendment 2

In the first paragraph of the motion, to delete “within one cycle” and insert “by the 28 August 2018 Committee meeting.

- moved by Councillor Lang, seconded by Councillor Aldridge

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

Voting

For the motion (as adjusted)	-	25 votes
For Amendment 1	-	36 votes

(For the motion (as adjusted: Councillors Aldridge, Brown, Bruce, Jim Campbell, Cook, Duggart, Douglas, Gloyer, Graczyk, Hutchison, Johnston, Laidlaw, Lang, McLellan, Mitchell, Mowat, Osler, Ritchie, Rose, Neil ross, Rust, Smith, Webber, Whyte and Young.

For Amendment 1: The Lord Provost, Councillors Arthur, Barrie, Booth, Bridgman, Burgess, Cameron, Ian Campbell, Kate Campbell, Mary Campbell, Child, Corbett, Day, Dickie, Dixon, Donaldson, Doran, Fullerton, Gardiner, Gordon, Griffiths, Howie, Key, Macinnes, McNeese-Mechan, McVey, Main, Miller, Munro, Perry, Rae, Rankin, Staniforth, Watt, Wilson and Work.)

Decision

To approve Amendment 1 by Councillor McVey.

18 African Heads of Mission – Motion by Councillor Cameron

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

“Council is delighted to learn that the African Heads of Mission based in the UK will be meeting together in Edinburgh in September 2018. This is first time that such a meeting has been held in Scotland. In addition to the Ambassadors and High Commissioners attending, they will be accompanied by cultural attachés and education attachés.

Their programme comprises high level presentations and discussions across a wide range of economic and social interests including Fintech, Education, Culture, Energy and Social Enterprise.

Council welcomes this meeting and the opportunities it presents for Edinburgh and Scotland and requests that the Lord Provost marks this occasion in an appropriate manner.”

Decision

To approve the motion by Councillor Cameron.

19 The Rock Trust - 25 Years of Sleep Outs – Motion by Councillor Kate Campbell

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

“Council notes that The Rock Trust, an Edinburgh based charity working with young people aged 16-25 who are homeless or at risk of homelessness, will be having their 25th Sleep Out this year. Over the last 25 years the Trust have helped more than 15,000 young people in the city by providing them with accommodation and support.

The Rock Trust marked their 25th Year by creating a Scottish coalition to end youth homelessness, bringing together organisations from housing, youth, LGBTI, health, justice and care to work across the country supporting local responses and early interventions to end youth homelessness.

In recognition of the 25 years of Sleep Outs they are putting together an exhibition of stories and photographs from the many years of the event.

Council invites the Lord Provost to recognise these achievements, and this significant anniversary, and marks this occasion in an appropriate manner.”

Decision

To approve the motion by Councillor Kate Campbell.

Declaration of Interest

Councillor Staniforth declared a non-financial interest in the above item as a volunteer host with the Rock Trust.

20 European Hockey Success for the Capital's Top Clubs – Motion by Councillor Webber

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

“Council:

- 1) Congratulates and recognises the significant achievements of both Edinburgh University Women’s Hockey Club and Grange Men’s Hockey club who both won their respective European Tournaments on Monday 21st May 2018.
- 2) Notes there were huge victories for Grange Men and Edinburgh University WHC on the final day of European club hockey tournaments in Vienna and Edinburgh respectively.
 - a) Grange who travelled to Vienna to play in the EuroHockey Club Trophy of 2018 won in the final by claiming a 5-2 victory over HC Vinnitsa (Ukraine)
 - b) Edinburgh University won the all-Scottish final with a 1-0 victory over Clydesdale Western from Glasgow in the European Women’s Club Challenge at Peffermill.
- 3) Recognises this is an incredible result for the capital city’s hockey clubs and further strengthens hockey as the 2nd fastest growing team sport in Scotland.”

Decision

To approve the motion by Councillor Webber.

Declaration of Interest

Councillor Webber declared a non-financial interest in the above item as President of East District Hockey.

21 Edinburgh's Coastline - Protecting and Enhancing our “Blue Belt” – Motion by Councillor Mary Campbell

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

“Council:

- 1) believes that as a capital city we benefit from both our historic city centre, and also our beautiful coastline. Our coastline has many highlights, from the sandy

beach of Portobello, to the sea life-rich rocks in the Forth, and the stunning views from the promenade at Cramond;

- 2) notes that, as a Council we invest a lot of time and effort into our city centre, for the benefit of both residents and visitors. Council believes that a similar level of effort should also be applied to our coastline, to ensure that we are preserving and enhancing the wide variety of historic and environmental features that make our coastline so special, and to enhance residents' access to our coastline by creating a continuous active travel promenade from Joppa to South Queensferry;
- 3) notes that the Council has undertaken some work to pursue this agenda, both separately and in co-operation with partners, including production of the Edinburgh Promenade Design Code and SESTRAN studies on cross-boundary cycle development; that some off-road cycle/footpath links have been identified in the LDP but notes that that progress to deliver on this work has been a little sporadic;
- 4) further notes that some Council partners including the Scottish Wildlife Trust and Royal Botanic Gardens have projects to enhance & preserve the natural heritage and biodiversity of our coastline;
- 5) therefore agrees to receive a scoping report, which covers work to date, work currently in train, and the scope of work which needs to be undertaken in the future. This should report within two cycles to be brought to the Transport and Environment Committee, and should include options for political governance of the work.
- 6) notes that residents and businesses have already been working hard to protect and enhance the coastline, and any strategy should include a clear mechanism for engaging with all key stakeholders.”

Decision

To approve the motion by Councillor Mary Campbell.

22 Meadowbank Stadium – Motion by Councillor Osler

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

“Council instructs the appropriate Directors to report in one cycle to the Culture and Communities Committee on agreements made to date on the strategic vision for the replacement Meadowbank Stadium, including details of when decisions were taken and all meetings at which they were scrutinised publicly.”

Decision

To approve the motion by Councillor Osler.

Declaration of Interests

Councillors Bruce, Dixon, Osler, Staniforth and Wilson declared a non-financial interest in the above item as Directors of Edinburgh Leisure.

23 Sir William Y Darling Bequest for Good Citizenship

The Council, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 7(A) of the Act.

Details were given of nominations for the Sir William Y Darling Award for Good Citizenship for the municipal year 2017/2018.

Decision

To make the Sir William Y Darling Award for Good Citizenship for the municipal year 2017/2018 to Marion Rhona Brown.

(Reference – report by the Chief Executive, submitted.)

Appendix 1

(As referred to in Act of Council No 2 of 31 May 2018)

QUESTION NO 1

By Councillor Mary Campbell for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 31 May 2018

Question (1) For each of the schools built or substantially refurbished under i) PPP1 contracts and ii) PPP2 contracts, please list the dates at which the contracts come to a scheduled end?

Answer (1) i) PPP1 contract terminates on 31 August 2033.
ii) PPP2 contract terminates on 11 August 2038.

Question (2) What steps are planned and in what timescale to ensure that buildings are handed over in good condition, without need for catch-up repairs or life-cycle works?

Answer (2) The PPP1 contract stipulates that the school is expected to have at least five years serviceable life at the point of handover. The two parties will conduct a joint inspection which will determine a schedule of dilapidations and renewal works required. The Council have a right of objection to the final proposed works. Before handover there is a joint inspection of the premises to ensure these works have been undertaken to the Council's satisfaction. The PPP2 contract stipulates that the elements of the buildings are maintained in line with their design life, and similar inspections rights apply as handover approaches.

**Supplementary
Question**

Thank you Lord Provost. My question was about timescales for private finance schools returning to the Council and their condition at the point of handover. In the answer to my second question we were told at the point of handover the PPP1 schools are expected to have five years serviceable life. Given the issues the Council have had with the condition of PPP1 schools, how confident does the Convener feel about ESP holding up their side of the contract?

**Supplementary
Answer**

Very confident, it's a legal document so if they don't comply with a legal document we'll take them to court.

QUESTION NO 2

By Councillor Corbett for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 31 May 2018

Question (1) Which councillors have passes for i) the APCOA parking at Waverley Court? ii) any other parking in the vicinity of the City Chambers?

Answer (1) i)

Via APCOA Waverley Court Car Parking	
Councillors	
Claire Bridgman	SNP
Norman Work	SNP
Gavin Barrie	Ind
Joan Griffiths	Lab
Jason Rust	Con
Robert Aldridge	Lib
Cammy Day	Lab
Ian Perry	Lab
Waverley Court CEC Garage Car Parking	
Councillor	
Lezley Cameron	Lab

ii)

George IV Bridge (Central Library)	
Councillors	
Ricky Henderson	Lab
Iain Whyte	Con

Question (2) Are those passes provided free?

Answer (2) Yes

Question (3) Of those councillors listed in 1) which of them also receive a free bus pass?

Answer (3)

Jason Rust	Con
Lezley Cameron	Lab
Iain Whyte	Con
Ricky Henderson	Lab

Question (4) Of those councillors listed in a) how many have declared their parking pass as a benefit and so declared on the register of payments in the same way as a bus pass?

Answer (4) None.

Question (5) What criteria have been used to determine which councillors have access to parking permits?

Answer (5) Historically parking has been assigned on a first come request, depending on availability.

Supplementary question I thank the Convener for his answer. For the benefit of webcast I asked the Convener about Councillors who receive a free car parking pass in the city centre. Convener, in light of the fact that 11 Councillors have a free car parking pass at a time when for congestion and air pollution reasons the Council is rightly seeking to reduce traffic pressure on City Centre and that there appear to be no criteria to determine which Councillors get a free parking pass, what does the Convener plan to do to review the policy?

Supplementary Answer I thank Councillor Corbett for his question. I do agree this is an area that needs a little more scrutiny and I think a review wouldn't be out of place so we can be quite clear about how these passes are allocated. I would say though if you allow me, Lord Provost, I'd like to add that some of the Councillors listed here do have citywide responsibilities and I think in the case of some women Councillors, there may be some individual cases with concerns about personal safety which might explain why they want to have the ability to travel by car.

QUESTION NO 3

**By Councillor Jim Campbell for
answer by the Convener of the
Culture and Communities Committee
at a meeting of the Council on 31
May 2018**

Question (1) Please provide the number of local police officers per 10,000 of the population for each Council area accepting the best fit to the Divisions of Police Scotland for the years 2013 to 2017, as set out in Motion 9.6 agreed by March Council, now that the 2017 mid-year population data has been published?

Answer (1) Police Scotland does not record information by local authority areas. The numbers are based on Command areas that cover more than one local authority area. We are unable to compare council areas as Edinburgh is the only local command area that has one local authority within its boundaries.

Question (2) Confirm that in 2017 the number of local police officers serving the City of Edinburgh, on a population basis, has fallen again, for the fourth year in a row, to a new low of 22.5 per 10,000 citizens.

Answer (2) This information is not held by the Council and percentage figures per 10,000 population are not recorded by Police Scotland.

Question (3) Update Council on what measure of additional local police numbers, relative to population size, he will demand are included as part of the service level agreement with the Police Scotland in return for the Council making good its £2.6M contribution towards local policing in 2018, at a time when other local authorities have ceased to make any payments for a basic service that should be deployed on the basis of need?

Answer (3) The Partnership Agreement between the Council and Police Scotland for 2018/19 is still to be finalised and it is planned to report the Culture and Communities on 19 June 2018.

**Supplementary
Question**

Thank you Lord Provost, I thank the Convener for his answer. The Convener will be aware that previously in March, Council passed a motion asking for these figures to be produced. He'll also be aware that members of his own party have described this as an extortion racket similar to the one that Al Capone put in place in America. I wonder if the Convener would consider using Council resources to pull together the data, I accept Police Scotland do not want this data put together, but Police Scotland publish data on their officer numbers and the Scottish Government publish data on population figures for local authority areas and it's not beyond the wit of a Council officer to get the best fit between those two data sets so that the Convener can do due diligence to ensure that we get the best possible deal in terms of additionality for the £2.6m that is spent on local policing in Edinburgh.

**Supplementary
Answer**

I would thank Councillor Campbell for the question but I think it's unfair to say that the police don't want to give us the statistics. The police don't record those statistics but haven't said that. As we've already discussed there's nothing to stop us trying to put forward a best fit with statistics and it is helpful that E Division falls largely within Edinburgh so that bit's easy. It's the comparison with other authorities which fall over several divisions that makes it difficult to do an accurate comparison of figures but also of course we have to make it very clear that if we're talking about the additionality of the figures then we have to distinguish between the community police that we pay for and those numbers are not reducing and we've already agreed that and the overall policing levels and figures for the city but I'm quite happy to have a go at the best fit and come forward with these statistics.

QUESTION NO 4

By Councillor Mowat for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 31 May 2018

Question

Given the reports that the assessing of road defects has changed from a simple measurement of depth, could she detail the process of how Grade 1, 2 and 3 road defects are assessed?

Answer

The assessment of roads defects within City of Edinburgh Council has not changed and roads inspectors continue to use the “Operational Guide – Road Safety & Defect Categorisation Procedure” which is based upon the recommendation of the Code of Practice ‘well maintained highway infrastructure’.

The assessment of Category 1, 2, 3 & 4 defects is made on an assessment of both the Impact (for which depth measurement is a factor) and Probability of the defect causing harm. The rating from this assessment dictates the category of the defect and the associated target for repair times.

Supplementary Question

Thank you Lord Provost, I thank the Convener for her response although I have to say that I’m slightly perplexed by this response given that we had briefings which said that how the assessment of road defects had been carried out had been changed, but I now see that we are still working to the same standards according to the answer so perhaps the Convener could clarify if this is a case of we're putting less impact, less emphasis on the physical nature of the defects and more on the probability of the defect causing harm to reduce the number of defects in the class 1 category and putting more into class 3 giving ourselves longer to fix them, is this the case?

**Supplementary
Answer**

Thank you for your supplementary question Councillor Mowat. As you'll know if you've read the Road Services Improvement Plan which came to TEC only a couple of months ago, there is quite a considerable amount of work that relates to the whole question of categorisation of defects and our response to those defects. There's a considerable amount of work that's gone into retraining inspectors so that they can actually understand exactly how we need to categorise those defects. There's also been a change in terms of how we respond to that, so for example the way in which we categorise the defects allows us to respond in a particular way and as you also know, we've looked at different methods of filling both temporary and permanent repairs and there's a considerable amount of work there. Given the fact that it's a relatively recent set of changes I would wish to see some time for them to settle in before further comment, thank you.

QUESTION NO 5

**By Councillor Johnston for answer
by the Convener of the Finance and
Resources Committee at a meeting
of the Council on 31 May 2018**

Question

Will the administration commit to providing extra resources to the building warrants team to enable them to tackle the backlog of existing applications and process new applications within agreed timescales?

Answer

An improvement team has been commissioned and are in the process of reviewing the Service Improvement Plan to enable the service to meet the required performance standard. A review of resource levels, including benchmarking against other authorities will be included in the fully costed plan the administration takes forward.

**Supplementary
Question**

I'd like to thank the Convener for his answer. My dealings with the building warrants team have been very positive and I think the staff do a very good job in sometimes very difficult circumstances, however, I do feel that perhaps there aren't enough of them. I had a constituent case recently where a significant employer was seriously contemplating taking his business elsewhere due to the delays in receiving a warrant, so I wonder if he shares my concerns and does he agree that we perhaps need more resources in that department?

**Supplementary
Answer**

I thank Councillor Johnston for his question. As he may well know, Council has appointed an improvement team look at these matters and there are some vacancies in the relevant area and we are recruiting to fill those at the moment which I think will improve the situation. It's also a matter of resources of course, but it's also to some extent the matter of processes and the processes do need to be refined and slimmed down and that will be part of what the improvement team looks at.

QUESTION NO 6

**By Councillor Rose for answer by the
Leader of the Council at a meeting of
the Council on 31 May 2018**

In April 2014 a parent of a child requested assessment by the City of Edinburgh Council (CEC) for a co-ordinated support plan (CSP) in terms of Section 2 of the Education (Additional Support for Learning) (Scotland) Act 2004. Subsequent proceedings were raised in respect of a failure to provide a CSP, and the tribunal issued a direction to Edinburgh Council to produce a CSP no later than 6th January 2016. On that date the Council issued a finalised CSP. A second tribunal hearing found the CSP inadequate and that CEC had discriminated against the child in terms of Section 85(2)(a) of the Equality Act 2010.

Question (1) After failing to provide a CSP as requested, why was the CSP instructed by the tribunal produced at the last possible minute and how was it that an inadequate CSP was produced?

Answer (1) The Council accepts the judgement that the CSP put in place was inadequate and has learned lessons in the service area to ensure future instances take account of this judgement. The CSP was produced just before the deadline because the Education Authority and the appellant to the Tribunal could not come to agreement over the contents of the draft CSP despite many months of intense discussion. Therefore the Education Authority had to open the CSP by the deadline given by the Tribunal in a form that would likely be objected to by the Tribunal appellant.

The Education Authority remains of the view that the inadequacy of the CSP arose from the highly unusual circumstances of the case.

Question (2) When it did eventually produce a CSP what caused CEC to produce an inadequate CSP?

Answer (2) Please see above

Question (3) Why was the legal advice given on behalf of the Council found to be unsuccessful on three occasions?

Answer (3) The first two occasions refer to decisions of the Tribunal. The Education Authority was represented by an Education Authority officer using their professional judgement and expertise and not a lawyer, either internal or external. The Education Authority officer did not require assistance from a lawyer for these two occasions.

The third occasion refers to the Court of Session appeal. The Education Authority took legal advice from an internal lawyer and then from Counsel with rights of audience before the Court of Session. The legal advice was to the effect that the Council's case had a reasonable prospect of success. Legal advice in relation to litigation is professional opinion. An adverse judgment does not necessarily mean that the legal advice was not sound at the time it was given.

Question (4) How much has it cost to defend the Council's position unsuccessfully on these three occasions? Please include internal and external costs.

Answer (4) The first two occasions refer to decisions of the Tribunal. No legal costs were incurred as the Education Authority was represented by an Education Authority officer and not a lawyer, either internal or external.

The third decision refers to the decision of the Court of Session to uphold the decision of the Tribunal. The cost to the Education Authority is:

- £946 for internal legal work.
- £7,350 for external legal work.
- Expected maximum of £12,000 for legal expenses of the appellant – the final bill is pending.

Question (5) How is it proposed to review the apparent failing within the Education Department?

Answer (5) The Education Authority will review its decision making on the circumstances under which we may refuse to put in place a CSP.

Question (6) How is it proposed to review the quality of the legal advice followed by CEC?

Answer (6) The principal legal advice that the Council had a reasonable prospect of successful appeal was provided to the Council by experienced Counsel. The finding of the court does not mean that the advice was of poor quality. Legal advice is always considered in context at the relevant time given the individual circumstances of a specific case.

Question (7) Is there a strategy document which guides the circumstances when CEC defends claims made against it? If so, how does it weigh principled considerations? If not, what principles does CEC follow?

Answer (7) Decisions are made on a case by case basis having regard to:

- i. the facts of the case;
- ii. the law; and
- iii. proportionality in terms of –
 - a. Inconvenience or worse to the actual or potential appellant who is usually the parent of a disabled child. The parent in this case was legally aided for her financial costs and the government provides a free of charge legal service for parents appealing to the Tribunal referred to in these questions.
 - b. The consequences for the child of the Education Authority not contesting a decision of a parent which the Education Authority disagrees with.
 - c. The financial cost to the Education Authority of legal action.

It should also be noted that:

1. The law has changed recently so that appeals from the Tribunal are no longer made to the Court of Session. Instead they are now made to a second, upper tier of the Tribunal. The case in question was the last appeal from the Tribunal to the Court of Session.

2. By far the greatest part of the expense of appeals to the Court of Session arose from the legal requirement to employ Advocates who have rights of audience before the Court of Session. Advocates are very senior members of the legal profession and this is reflected in the significant cost of employing them.
3. It is not a legal requirement to employ Advocates for appeals to the second tier of the Tribunal and the education authority anticipates that it will usually be represented by an Education Authority officer at appeals to the second tier of the Tribunal, largely eliminating the expense in the future of employing Advocates that has arisen previously for appeals to the Court of Session.
4. At a forum organised by the Tribunal for forum users in May 2017, the President of the Tribunal gave an address in which she stated, in terms, her intention that the change referred to above would make the appeal process cheaper and quicker.

**Supplementary
Question**

Thank you Lord Provost, I thank the Leader for his detailed response to my many questions about this concerning case. In answer 1 it says that the coordinated support plan was produced just before the deadline because the Education Authority and the appellant to the tribunal could not come to agreement over the contents of the draft coordinated support plan despite many months of intense discussion. Given that the Council lost three judicial cases on this, does the Leader accept that that begins to sound like an attempt to put some of the blame on the appellant?

**Supplementary
Answer**

Thank you very much. No I wouldn't accept that it's obviously a very important point and I don't want to get too much into the specifics of this and what was an incredibly complicated case but obviously it is in the best interests of the family, the individuals who are in need of additional support and indeed the authority as a whole for that negotiation to come to a consensus and a conclusion and I think that points to the acceptance that that is the best outcome for everyone, no one wants to go through a

process of tribunals, I point out my last answer that the system has thankfully changed and that will hopefully make it easier for families and individuals going forward beyond this case and they won't have to go through that third-tier that I appreciate is not where people want to be, standing in front of a sheriff. So I think the system has improved and I think hopefully my answer indicates that we accept the judgment and are looking to learn lessons from it.

**Councillor
Rose**

Lord Provost I wonder if I could simply ask if the Leader would then support a referral of this complex case to the GRBV Committee

**Councillor
McVey**

Lord Provost, I mean I would suggest that it's probably for the Convener of the GRBV Committee to decide if it goes on their work plan, but the Administration will certainly not look to oppose any such action.

QUESTION NO 7

By Councillor Miller for answer by the Convener of the Housing and Economy Committee at a meeting of the Council on 31 May 2018

Question

In light of the physical assault on 3 May on a Syrian man housed in temporary accommodation, which left him hospitalised, can the Convener outline the processes and safeguards in place to ensure secure and safe accommodation for refugees in Edinburgh?

Answer

The Council accommodates people who are refugees in two distinct sets of circumstance – where the arrival is planned e.g. under a government resettlement programme or when someone who is a refugee spontaneously presents as homeless.

In the former - such as under the UK Government's Syrian resettlement programme - the timing of arrival, individual/family profile and characteristics are all known in advance. This information can be used to identify appropriate initial accommodation, which is sourced through the Council's Private Sector Leasing scheme. Addresses are screened in advance for any previous incidents of neighbourhood anti-social behaviour which might suggest addresses would not be appropriate.

In the latter, no pre-planning is possible and it may not always be clear at initial presentation or subsequent assessment that being a refugee is part of an individual's history. Nonetheless, out of the options available, the most appropriate form of temporary accommodation - taking into account need and any vulnerability identified during a homelessness assessment – would always be offered. This would apply to anyone presenting as homeless, whatever their background.

In both circumstances, tenants can move onto permanent Council or Housing Association tenancies by registering with and bidding through EdIndex.

Information around the measures that are in place to ensure the safety of service users

Each year around 10,500 temporary accommodation placements are made.

This incident is the only significant event in bed and breakfast accommodation in, at least, the last five years.

We aim to ensure that all service users are provided with accommodation that is safe.

I can confirm that this property had a 24-hours a day management presence and CCTV coverage.

All bed and breakfast properties used by the Council to accommodate people are subject to regular monitoring. This includes unannounced visits during normal hours and at night.

The property in question has been visited 22 times in the last 12 months and daily telephone contact is made with the management team at all bed and breakfasts.

In addition to ensuring the safety of our properties, we are focussing on supporting the family affected by this incident.

A police investigation is currently ongoing, so whilst it would not be appropriate to comment on the specifics of the case, we will consider any recommendations that are made as a result of the case

Supplementary Question

Thank you Lord Provost. I asked this written question because I was absolutely shocked as I'm sure everybody here was that a Syrian man was stabbed recently a temporary bed-and-breakfast hostel in Upper Gilmore Place. I've subsequently had, as well as the Convener's answer, a number of different briefings which have helped me to understand that we do provide excellent services for people coming here from countries in conflict and I'm comforted by the briefings that I've had and the answer that the Convener gave me, but one area where I'm still slightly concerned and probably she will share this concern with me, I hope is, that people who fall through the cracks in some of these services

or perhaps reach the end of the official refugee programme, may become more vulnerable as a result of slipping through the cracks and reaching the end of official programmes of support and I wonder if the Convener would agree to meet with me and discuss what more the Council can do to make sure that we provide support for anybody in these circumstances?

**Supplementary
Answer**

I thank Councillor Miller for her question. This was a horrific incident and our priority has to be supporting the individual and his family in every way possible. There's an investigation into the circumstances and we have to wait for the outcome of that investigation but we will be looking at the outcomes very carefully, in terms of any recommendations that might come to our service. More widely on the support services and falling through the cracks, I think my fear is that when anyone is homeless they're a vulnerable person and certainly there's always more that we can do to help people and always more that we should be looking to do so I would be more than happy to meet you and discuss it.

QUESTION NO 8

**By Councillor Lang for answer by the
Convener of the Transport and
Environment Committee at a meeting
of the Council on 31 May 2018**

Question (1) What discussions have taken place with local residents regarding the long term parking of commercial advertising vehicles on the north side of Queensferry Road near the Cramond Brig?

Answer (1) Over the last three to four years local residents have noted long term parking in the lay-by noted above. During this period the Planning and Licencing teams have considered the context of advertising consent, however, this has not been deemed a breach of planning legislation or licencing.

The Locality team are aware of the issue and agreed to promote Waiting Restrictions to limit twenty four hour parking. This location is included in the priority list of traffic regulation orders to promote, however, it is considered a lower priority relative to some urgent road safety related issues.

In the last twelve months our team have engaged with a local resident to confirm the situation above and describe the statutory process for advertising and promoting the necessary order.

Question (2) What decisions have been taken to extend the parking restrictions in this area to address the problems identified?

Answer (2) It is agreed that an appropriate TRO would be desirable to restrict the issue. A draft order will be prepared (Single Yellow Line) to prohibit parking between 08:30 and 17:30 Monday to Friday and circulated to the Ward Councillors for consideration. This should resolve the long term parking issue but also allow residents and their visitors to park in the evening and at weekends.

Question (3) If decisions have been taken, what timetable exists to consult on a draft traffic regulation order to progress any changes?

Answer (3) The North West Locality team are currently working through a priority list of Traffic Orders. It is anticipated that a plan will be prepared for discussion and the necessary report will be submitted to the Traffic Orders team by September 2018.

QUESTION NO 9

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 31 May 2018

Question

What plans exist to make the double yellow lines within the Ingliston Park and Ride legally enforceable?

Answer

The process of implementing a Traffic Regulation Order (TRO) to allow enforcement of double yellow lines at Ingliston park and Ride has begun. The plan is to advertise proposals for consultation in August 2018 in line with statutory requirements of the TRO process. Any objections would be subject to a further report.

Supplementary Question

I was very grateful to the Convener for the answer. I think it's a great comfort for the users of the park and ride to know that the TRO process will commence later in the year, so that's very welcome. Can I just ask her though whether she or officers have given consideration to whether the issues that we're seeing are perhaps symptomatic of perhaps a wider issue whereby the capacity of the Ingliston Park and Ride is now being reached, and really just to ask her whether any consideration has been given to an extension to that park and ride and if so perhaps what timescales exist around that, thank you.

Supplementary Answer

Thank you for your supplementary question Councillor Lang. Yes in fact there is quite considerable consideration being given to this particular issue. In fact I'd like to link two park and rides in this instance, Ingliston clearly is reflecting the success of the tram system, because people are using that park and ride in order to access the tram system but they're also using it to access for example RBS and various other sites. As a result we have the problems of success at that particular park and ride and we've seen that increase quite a bit in the last few months and we can expect to see that continue. However, there's also Hermiston which is suffering in exactly the same way, so in fact the work that we're looking at, it probably puts Hermiston at a priority

above any extension in the facility at Ingliston and there are various operational good-quality reasons for that. However we are looking at land that's appropriate for expansion in both instances but clearly funding attached to that is an issue, for example the funding that we're looking at for Hermiston park-and-ride would run into about £3.5m and the plans are there, we're looking at them, we're trying to make them a priority as much as we can, but clearly there's quite a long road between me being able to stand up in Council and say this is definitively what we're doing, but it's very much under consideration, thank you.

QUESTION NO 10

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 31 May 2018

Question

At the Council meeting of 14 December 2017 and in response to question 5.10, the Convener said "it is intended to consult with the local community and other stakeholders over possible improvements to the Davidson's Mains roundabout in spring next year." Can the Convener provide an update on this work?

Answer

Consultants have been appointed to undertake design and delivery of safety improvements.

Initial consultation with the local community will take place in June with further consultation planned later in the summer once detailed proposals have been scrutinised with an independent road user safety audit.

QUESTION NO 11

**By Councillor Jim Campbell for
answer by the Convener of the
Planning Committee at a meeting of
the Council on 31 May 2018**

Question

City of Edinburgh Council has previously made a call for sites for housing to the house building community, prior to the Main Issues Report, when compiling its Local Development Plan. Neighbouring Councils have already made such a call in preparation for their new Local Development Plans. The house building community value the opportunity to engage with Councils at an early stage to try and identify the widest possible range of potential sites, to maximise the supply of much needed homes.

When does the City of Edinburgh next plan to make a call for sites?

Answer

The Council did not make a call for sites for housing in the previous Local Development Plan project. Instead, the Council carried out a comparative assessment all of the land in the relevant areas.

It is not intended to hold a call for sites for the new local development plan project, and the [project timetable](#) does not include a stage for this. Some local authorities use calls for sites to find out where there is developer interest, particularly authorities with large rural areas, many settlements and housing markets of varying strengths.

This is not relevant in Edinburgh, where the remaining rural land is already known, and developer interest is strong throughout. Also, for various reasons a piece of land may not be promoted at a call for sites stage, but is later promoted at the statutory representations stages.

This can give the Council and communities a false picture of what sites will be involved in the plan's formal stages.

There are other ways in which the house building community can engage with the Council, and now that the

project is formally underway the project team is available for meetings with parties wishing to discuss their land interests in the Council's area. The house building representative body Homes for Scotland has been made aware of this opportunity and several such meetings have already been held.

**Supplementary
Question**

Thank you and I thank the Convener for his answer. I just wonder, following some discussions that we have had with the building and the developers in the town, if the Convener feels that the relationship between developers and builders in Edinburgh and the Council is sufficiently strong that it wouldn't benefit from seeking the involvement of the industry at an early stage in something like a pre-site call which is certainly something that we've heard that the industry would have welcomed and they believed had happened in the past?

**Supplementary
Answer**

I thank the Councillor for his question. As is noted in the answer we already have had discussions with Homes for Scotland, the representative body for that industry and will continue to have these discussions, but I must make it clear that our approach to this forthcoming LDP is a strategic approach and so it's for the city really to bring about the right sites that have good transport and other infrastructure possibilities and not open the doors for sites across the whole of the area, but nonetheless the door is open for discussion as its noted in my answer, thank you.

QUESTION NO 12

**By Councillor Rose for answer by the
Convener of the Planning Committee
at a meeting of the Council on 31
May 2018**

Question (1) How many planning applications have been subject to Section 75 legal agreements since 1st May 2017?

Answer (1) Since 1 May 2017 39 planning applications subject to Section 75 agreements have been determined.

Question (2) In each case how long did it take to conclude the agreement? Include how many are outstanding?

Answer (2) Of those 39 applications there are 10 section 75 obligations that have been concluded and planning permission issued. These took:

2 months	1	3 months	1
4 months	1	5 months	3
6 months	1	7 months	2
8 months	0	9 months	1

The remaining 29 are under negotiation.

Question (3) In the last three years has there been any change in policy or practise in drawing up the legal agreement in relation to the relative responsibilities of the applicant and the landowner?

Answer (3) There has been no change in policy or practice over the last 3 years in terms of who is responsible for the drawing up of the legal agreement.

In recent months the Council's model agreement has been reassessed to take account of recent experience. This was to ensure it properly reflects the provisions of the current Local Development Plan and is compliant with the relevant

legal tests as clarified in the Elsie Supreme Court decision. The model agreement also incorporates the detailed provisions of the Council's draft Supplementary Guidance 'Developer Contributions and Infrastructure Delivery'.

Once the Supplementary Guidance has been approved by Housing and Economy Committee for consideration by Scottish Ministers, then the model agreement can be finalised and published on the Council's website for full use by all parties.

Question (4) Are such legal agreements drafted up by the City of Edinburgh Council, by the applicant or by a third party?

Answer (4) In the majority of cases the initial draft section 75 planning obligation will be prepared and issued by the Council. There is however no prohibition on the applicant opting to take the lead in preparing the initial draft section 75 planning obligation and this occurs in some cases. The draft is then negotiated between the parties, within the limitations identified by Committee or the Chief Planning Officer, to reach an agreement.

Supplementary Question Thank you, I thank the Convener for his response to me. I asked the question because of concerns from applicants expressed to me about delays in the drawing up of agreements for section 75. These figures on the timescales for section 75s are not very good are they?

Supplementary Answer Again I thank the Councillor for his question, and there are many reasons why there are also with any negotiation as the Councillor will be aware from his profession, in negotiation there are always two parties to negotiation and therefore it's not always the Council which is causing delays, but indeed there is always room for improvement and I note also in my answer to him in section 4 it doesn't necessarily need to come through the Council but can come through the applicant to negotiate the section 75 agreement at their own behest but yes indeed we're always looking to improve as was noted at the Planning Committee yesterday, thank you.

QUESTION NO 13

**By Councillor Jim Campbell for
answer by the Convener of the
Planning Committee at a meeting of
the Council on 31 May 2018**

- Question** (1) Since May 2017, how many planning applications have been withdrawn and re-submitted?
- Answer** (1) 345 applications were withdrawn between 1 May 2017 and 22 May 2018. It is not known how many have been re-submitted without checking the property history of each case but a 5% sample check has been done and 60% of withdrawn applications had further applications submitted.
- Question** (2) What are the comparative figures for the previous 5 years?
- Answer** (2) There were 1772 applications withdrawn between 1 May 2013 and 22 May 2018. Due to the timescale and volume a sample has not been completed.
- Question** (3) Since May 2017, how many of these withdrawals and re-submissions been made at the request or suggestion of the Council Officers?
- Answer** (3) There are usually 3 reasons why applications are withdrawn – at the request of the applicant, at the request of the officer as refusal is the likely outcome, and by the Council as planning authority on the basis that the application is inactive. The reasons are not recorded in a form that can be counted as it takes the form of email correspondence which is then uploaded into the document management system for the case. This information is not therefore available.
- Question** (4) Of applications withdrawn and re-submitted since May 2017, what was the average duration from the validation of the original application to it being withdrawn?
- Answer** (4) The average duration from validation to withdrawal for the withdrawn cases from 1 May 2017 is 125 days. The re-submitted applications, based on the 5% were not withdrawn.

**Supplementary
Question**

I thank the Convener for his answer and I thank the efforts of officers to pull together the sample to give us the information. I just wonder if the Convener would care to comment on the perceived risk that if applicants are being encouraged to withdraw and resubmit an application that might be a way for the Council to appear to be achieving turnaround times that were lower than they actually were if there are some statistical shenanigans going on?

**Supplementary
Answer**

Well the question you ask is also very speculative because I don't think you're actually citing that as an instance because that's not what the statistics themselves say.

There's always reasons for withdrawal and we note three of them, that that the applicant may itself choose to withdraw or the officer may seek withdrawal if refusal is unlikely to be forthcoming, or if that application is inactive, so there's all sorts of reasons for withdrawal, so I don't accept that what you're saying but again we are seeking to improve the planning service it's not perfect we were working hard to do that but I do not accept what you're insinuating there.

QUESTION NO 14

By Councillor Jim Campbell for answer by the Convener of the Housing and Economy Committee at a meeting of the Council on 31 May 2018

Question

Can the Convener provide a table, detailing how many housing units have been completed, started, or permission granted since the 4th May 2017 broken down ownership tenure (including, but not limited to, Council, Housing Association, other affordable and private market).

Answer

The following tables are taken from the Draft 2018 Housing Land Audit and Delivery programme. The draft audit is subject to consultation with housebuilders. As such, the figures below may be subject to adjustment, and will be reported to the Housing and Economy Committee later in the year. However, if these figures were confirmed, this would be the highest level of overall completions in Edinburgh, since at least 2008.

The audit is conducted annually and is a snapshot position as at 31 March each year. Completions relate to the period 1 April 2017 to 31 March 2018. Similarly, the table dealing with sites under construction and sites with consent relate to the position at 31 March 2018.

The not confirmed category in the table relates to those homes where the tenure is subject to further information from the developer.

Table 1. Housing Completions 1/4/2017 – 31/03/2018

Market	1846
Social Rent	229
Mid-Market Rent	381
Shared Equity	54
Golden Share	30
Not-confirmed	55
Total affordable (*1)	749
Total completions	2595

* 1 In addition to the new build figures above, there were also 211 affordable homes acquired through open market shared equity. Open market shared equity is a programme funded by the Scottish Government and managed by Link Housing. The Open Market Shared Equity Scheme is available through Scotland and is open to everyone but prioritises social tenants, veterans and people whose people over 60 and widows and widowers of serving members of the armed forces who lost their lives while serving.

Table 2. Housing sites with consent for housing at 31/03/2018

	Capacity		Complete at 31/03/2018		Remaining at 31/03/2018	
	Market	Affordable	Market	Affordable	Market	Affordable
Under Construction	6,604	3,288	1,861	617	4,743	2,671
With Full Consent	3,381	730			3,381	730
With planning permission in principal	5,824	1,458			5,824	1,458

There is also capacity for an additional 11,800 units on land allocated in the local development plan but yet to gain planning consent.

It is not possible to give a complete breakdown of houses in table 2 as breakdown of tenure depends on a variety of factors – like investment funding – that are decided closer to the point of actual construction or in some cases not until homes are full complete.

Supplementary Question

Thank you and I thank the Convener for her answer. This is very encouraging to see the number of houses that are being completed to moving to a new high for the city in recent times and I think tribute is due to all those involved in that process. Is the Convener satisfied that we are able to build enough houses going forward to meet not only the targets for affordable housing but also the projected needs of the city as a whole in the City vision?

**Supplementary
Answer**

Thank you Councillor Campbell for your question. Yes I am. I think that it's not easy and there will be a lot of work that needs to be done and part of that would be about planning through LTP 2 or whatever we choose to call it, we need to be very careful about planning for that and there's a lot of work that we need to do and I think within our Committee. You're a valued member of the Committee, and I think our continued scrutiny is an important part of that, but yes I do think we can deliver.

QUESTION NO 15

By Councillor Doggart for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 31 May 2018

Question (1) Could the Convener please list the dates of meetings he, or his Vice Convener, has had with the Education Minister?

Answer (1) I have not met with the Education Minister.

The Vice Convener had a meeting with all the SNP spokespeople and leads on education across Scotland (including the Education Minister) on 4 April 2018.

Question (2) Could the Convener summarise the outcome of those meetings?

Answer (2) The Vice Conveners meeting of 4 April was to discuss mutual issues and to agree to meet on a more regular basis to share best practice.

Question (3) Could the Convener confirm whether the Scottish Government will provide additional funding for schools in Edinburgh?

Answer (3) I wrote to the Deputy First Minister on 9 March 2018 asking him to clarify the position in relation to Wave 4 funding - I await a response.

Supplementary Question Lord Provost I thank the Convener for the information which provided, but in light of the information, could the Convener please tell Council when he intends to follow up his letter of 9th of March with a Dear John reminder, asking for clarification on the position of Wave 4 funding? Also in light of the much-vaunted access and influence the SNP Group has with the Scottish Government, will the Convener also ask the Vice-Convener to take them with her to meet the Education Minister the next time she meets with him to discuss the Wave 4 issue or is the Vice-Convener more interested in SNP matters than education in Edinburgh?

**Supplementary
Answer**

I'm not too sure what that meant to be honest but if Alison wants to invite me to an SNP meeting then I'll quite happily go but I don't think she will. In relation to the First Minister I've again made contact, not written, made contact, with individuals within the Scottish Government and asked him when he's going to reply to my letter.

QUESTION NO 16

By Councillor Booth for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 31 May 2018

Question (1) What analysis has been carried out of average pedestrian waiting times at signalised crossings on Leith Walk and at other points along the proposed route?

Answer (2) No pedestrian modelling has been carried out. This is not unusual at this stage of a project. The new proposals will take cognisance of pedestrian desire lines and movements to establish crossing points where conflicts can be avoided. These will also consider the location of existing crossings.

Question (2) Has the Council taken the view that zebra crossings are incompatible with safe tram operation? If so, when was this view adopted and why? Will this view be reviewed in light of international best practice?

Answer (2) The designs issued for consultation suggested a four lane configuration on Leith Walk. The result of that was that the width from kerb to kerb is too great to permit the use of Zebra crossings. As part of the design review additional crossings are being considered on Leith Walk. We are assessing the type of crossing on a location by location basis. In addition, uncontrolled safe crossing points may be introduced to maximise the pedestrian permeability of Leith Walk.

In general Zebra crossings have been deemed unsuitable due to tram journey time reliability and as a preference we would look for a Toucan crossing.

Question (3) The Council's Street Design Guidance, published January 2015, states that "pedestrian crossing points (controlled or uncontrolled crossings)" should be provided "every 50-100m". Do the proposed designs for the tram extension to Newhaven comply with this guidance? If not, why not?

Answer (3) Through the design review we are assessing additional crossings and will take cognisance of the latest street design guidance.

Question (4) Has an equalities impact assessment been done on the proposals? If not, when will this be carried out?

Answer (4) An equalities impact assessment was carried in August 2017 and is due to be assessed in August 2018 which will align with the design review.

Question (5) What lessons have been learned from the original Edinburgh tram project?

Answer (5) In establishing the project team for the tram to Newhaven the Council has retained a number of individuals who successfully delivered the Airport to York Place project following mediation in 2011. In retaining this knowledge, the project is drawing on a number of lessons learned and these have been incorporated into the planning for the extension.

These lessons include, for example;

- The use of industry standard contracts to govern the project
- Rigorous project governance with highly qualified key personnel with experience of delivering light rail projects in the UK and abroad
- Setting up cross industry networks with other cities including Manchester, Birmingham and Dublin to ensure best practice is being adopted at each stage of project development
- Adopting traffic management plans that provide the contractor with expanded sites to ensure that works can continue in the event that problems are encountered during construction, as well as adopting a strategy of only opening up roads once and completing all works prior to reinstatement - no double-dig

- Carrying out robust quantitative risk analysis and ensuring the contingencies set aside for unforeseen events
- Carrying out comprehensive formal consultation with the market to road test the overall delivery strategy for the project and encourage strong competition

And contingencies are set aside.

Question (6) Has bilingual Gaelic / English signage been considered for the tram extension to Newhaven? If not, why not?

Answer (6) The issue of consistency in signage across the entire extended tram system, if it goes ahead, would have to be considered by the operator, and I would hope that the use of Gaelic would be considered favourably given its importance to Edinburgh as Scotland's capital city.

Supplementary Question Thank you Lord Provost, I thank the Convener for her response to my questions which were largely focused on a provision for pedestrians and cyclists in the draft designs for the tram extension to Newhaven although I also welcome the commitment in her answer to examine Gaelic signage for the tram extension. The Convener will be aware that while Green Councillors have always pushed for strong active travel provision in the tram extension, we are now making that a condition of our support for the extension. She will also be aware of the concerns expressed by groups representing pedestrians and cyclists, at the designs which went to consultation earlier this year. I understand that a number of workshops have been planned with key stakeholders to discuss changes to the design but can I ask the Convener if she will also agree to meet personally with representatives of active travel organisations to hear first hand their concerns about the original designs and to listen to their proposals for improvements?

**Supplementary
Answer**

Thank you Councillor Booth, yes I am well aware of your concerns about this and as I think you are also well aware this is an evolutionary process, we are nowhere near finalising the designs yet and it does take this series of technical workshops which I will be chairing throughout the month of June to get across to those who are involved, the stakeholders who have already given a great deal of time and consideration to the original designs, exactly how we have responded to the results of the consultation. I expect that evolution to continue - we appear to have quite a noisy chamber this morning so I apologise if I'm not being heard correctly - we have a series of technical workshops planned, that evolution will be part of that series of workshops, as I think you're well aware, your party was represented at the All Party Tram Oversight Group just last week where we discussed at some degree of detail, our possible changes to those designs which will then come forward to those series of technical workshops. I am of course always pleased to meet with active travel individuals and indeed any other stakeholders that are attached to the tram extension and I will undertake to do so. I do know that officers, because I've discussed this at length with them, are intending to meet with one or two of those groups ahead of those series of technical workshops again to provide them with an opportunity to look at these changes in detail. Can I stress however that this is very much an evolutionary process and I think some of the questioning of the designs is a little premature because we haven't reached the end of that stage yet.

We went into this knowing that it was going to be a series of evolutionary steps, grateful for the input from external stakeholders and recognising the fact that they had a very strong voice on this and that we would be responding to it. That's a process that we're in the middle of at the moment, thank you.

Item no 5.1

QUESTION NO 1

By Councillor Jim Campbell for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 28 June 2018 2018

Question

Accepting the 2027 projected roll for every Edinburgh high school, reported to Committee in December 2017, please provide the total anticipated cost to:

- 1) increase school building capacity to satisfy the roll projections for August 2027;
- 2) achieve a condition rating of “B”, or better, in 2028 across the Council owned and maintained high school estate, assuming all high school buildings in use this year are retained in use until then.

In both case, the costs should be from the start of this financial year, and be broken down by school.

Answer

Item no 5.2

QUESTION NO 2

**By Councillor Staniforth for answer
by the Convener of the Transport and
Environment Committee at a meeting
of the Council on 28 June 2018**

In 2015 a decision was taken to close 10 public toilets across the city. To mitigate this council agreed to approach businesses about making their toilets publicly accessible in exchange for an annual payment from the council.

- | | |
|-----------------|--|
| Question | (1) How many business are currently registered with the Community Toilet Scheme? |
| Answer | (1) |
| Question | (2) How much does the Community Toilet Scheme cost the council annually? |
| Answer | (2) |
| Question | (3) How are toilets registered with the Community Toilet Scheme signposted? |
| Answer | (3) |
| Question | (4) How are publicly available toilets in council buildings (such as libraries) signposted? |
| Answer | (4) |
| Question | (5) What are the opening times for the city's public toilets, council buildings with publicly available toilets and businesses registered with the Community Toilet Scheme? |
| Answer | (5) |

Item no 5.3

QUESTION NO 3

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

At the 15 March 2018 meeting of the Council and in response to question 5.5, the Convener said that the new annual charge for the collection of garden waste would commence in July 2018.

On 5 June 2018, members received an email communication stating that the introduction of the new charge had been moved back to October 2018.

Question (1) When was the decision taken to delay the introduction to October?

Answer (1)

Question (2) Who made this decision and on what date was the Convener informed?

Answer (2)

Question (3) What changed between 15 March and 5 June so as to account for the delay to the introduction of the charge?

Answer (3)

Question (4) Is it still the intention to charge for a full 12 months in the first year of operation?

Answer (4)

Question (5) Will free Christmas trees collection continue to be available for households which have not paid the garden waste charge?

Answer (5)

Item no 5.4

QUESTION NO 4

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

At the 3 May 2018 meeting of the Council and in response to question 5.6 on the subsidence on Braehead Grove, the Convener said it was "*hoped that the work will be completed within the next six weeks.*"

Since that date, residents have raised concerns that no further work appears to have taken place and my correspondence with relevant officials has gone unanswered.

Question (1) Can the Convener confirm what work has been undertaken on Braehead Grove since 3 May?

Answer (1)

Question (2) When is it now estimated that work will be complete?

Answer (2)

Item no 5.5

QUESTION NO 5

**By Councillor Mowat for answer by
the Convener of the Transport and
Environment Committee at a meeting
of the Council on 28 June 2018**

Question

Could the Convener provide details of the weed treatment that has been carried out this year to control the weeds and what methods of treatment have been used and an assessment of their effectiveness given the commitment to trial new treatments last year?

Answer

Item no 5.6

QUESTION NO 6

**By Councillor Mowat for answer by
the Convener of the Planning
Committee at a meeting of the
Council on 28 June 2018**

Question

How many appeals for non-determination have been lodged with DPEA in the City of Edinburgh Council area in each of the last 12 months?

Answer

Item no 5.7

QUESTION NO 7

By Councillor Mowat for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

Question (1) What consultation or notification was held with/given to the following prior to the appearance of a story in Scotland on Sunday and the Evening News about the proposed closures of Cockburn Street and Blair Street for the duration of the Edinburgh Festival?

- a) The Community Council
- b) Businesses operating from the affected streets
- c) Residents of the affected streets
- d) Councillors

Answer (1)

Question (2) Given the decision taken by the Licensing Sub-Committee regarding the Hot Food Traders Licenses outside the Tron and the subsequent affect this has had on the Theatre Operators License for the Royal Mile from its junction with George IV Bridge to North Bridge and from Cockburn Street to Blair Street will any of these closures require to be reviewed and what will the consultation process be going forward?

Answer (2)

Item no 5.8

QUESTION NO 8

By Councillor Whyte for answer by the Leader of the Council at a meeting of the Council on 28 June 2018

Question (1) Please provide details of all travel to other countries on official Council business, paid for by the Council or otherwise in their capacity as an elected member by councillors since the Council election in May 2017 and planned for the future.

For each occasion please provide:

- a) The name of the councillor
- b) The capacity in which they travelled
- c) The full costs of the trip and who paid these
- d) How and where authorisation was sought
- e) The dates of the trip
- f) The intended purpose
- g) The outcomes achieved

Answer (1)

Question (2) Whether a report was created to explain the outcomes (as is Council protocol for trips and conference attendances) and where these can be accessed.

Answer (2)

Item no 5.9

QUESTION NO 9

By Councillor Rust for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

- Question** (1) Please confirm all costs (to date or anticipated) associated with implementation of the delayed new charging system for garden waste collection, including:
- a) postage;
 - b) production of stickers;
 - c) advertising/promotion;
 - d) registration;
 - e) collection/removal of brown bins from non-participants;
 - f) any other known costs.
- Answer** (1)
- Question** (2) If residents register in October how long are they signing up for?
- Answer** (2)
- Question** (3) If this is for less than 12 months will the charge be calculated on a pro-rata basis?
- Answer** (3)
- Question** (4) If residents are paying a one-off charge for garden waste uplift that spans more than one financial year, how will the receipts be apportioned between the financial years?
- Answer** (4)
- Question** (5) How many staff/what is amount of staff time involved in implementation?
- Answer** (5)

Question **(6)** As per previous requests to officers and promised in answer to March 2018 written questions, please confirm progress in respect of discussions with Tiphereth regarding its agreement with the Council and future arrangements for garden waste collections in the area of Colinton it currently serves.

Answer **(6)**

Item no 5.10

QUESTION NO 10

By Councillor Gloyer for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

It is now eight months since, in response to my question about improvements to pedestrian accessibility and safety on Ellersly Road, the Convener assured me that the solutions that had been identified as 'quick wins' would be "delivered in the next six months."

Question (1) Can she explain why residents are still waiting for five of the ten 'quick wins' to be implemented and indicate when they might expect the work to be completed?

Answer (1)

The lay-out changes effected during the resurfacing works at Western Corner have made it easier for pedestrians to cross Ellersly Road at that junction, and are welcome.

Question (2) What progress has been made on developing solutions to the other longer-term improvements, such as widening pavements further up Ellersly Road?

Answer (2)

Item no 5.11

QUESTION NO 11

By Councillor Gloyer for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

It is now eight months since, in response to my question about the pedestrian crossing of the A8 at Kaimes Road, the Convener assured me that a Section 75 contribution towards it had been secured in November 2016, that “preliminary design work for this is currently underway” and that “Consultation on the proposals is planned to take place shortly”.

Question (1) At what stage is the design work for this long-delayed and much-needed pedestrian crossing and related improvements for pedestrian access to it?

Answer (1)

Question (2) What consultation has taken place and with whom?

Answer (2)

Question (3) By what date is it expected that the crossing will be installed?

Answer (3)

Item no 5.12

QUESTION NO 12

By Councillor Booth for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 28 June 2018

Regarding the proposals on extending the tram to Newhaven:

Question (1) Does the council intend to review the preferred tram designs to determine how well they address issues and opportunities outlined in the street life survey for Leith Walk published by the council in December 2017?

Answer (1)

Question (2) What scenarios were used in considering the design options for Leith Walk in relation to traffic levels, including potential for reductions?

Answer (2)

Question (3) At those locations on Leith Walk where the designed footway width fails to meet the Edinburgh Street Design Guidance standard – an ‘absolute minimum’ of 2m (only allowed in short sections) and a ‘desirable minimum’ of 4m or wider – what alternatives were considered in order to meet the standard, and why were these alternatives rejected?

Answer (3)

Question

(4) What are the current traffic flows on Constitution Street, Duke Street and Laurie Street, and what modelling has the council carried out on the likely future traffic flows on those streets in the event of:

- a) a tram stop in Constitution Street, as per the designs that went to consultation
- b) moving the tram stop to Foot of the Walk without filtered permeability on Constitution Street
- c) moving the tram stop to Foot of the Walk with filtered permeability to restrict general traffic at the south end of Constitution Street?

Answer

(4)



One year on...

A year has passed since we formed the SNP-Labour coalition here in the Capital. In laying out our priorities last summer, we committed ourselves to improving the quality of life of all residents, enhancing the environment, delivering better infrastructure and building on what is already a fantastic place to live, work and visit.

Edinburgh is a vibrant, thriving city that is experiencing huge economic growth but at the heart of this Coalition is our commitment to improve opportunity, increase inclusion and tackle inequality and poverty. Building thousands of new affordable homes, opening outstanding new schools and supporting hundreds of young apprentices each year are just some of the ways in which we can ensure everyone has the best chance to be involved in and benefit from that growth.

Some of the positive steps we are taking towards these goals are featured in my regular update below but there are many more in the pipeline, such as: the imminent signing of the City Deal, confirming over £1bn of investment in the region; plans for a new Meadowbank Sports Centre; a campaign to promote the next stages of our Edinburgh 2050 Vision project; and, as I reported last month, our ongoing efforts to secure the powers to introduce a Transient Visitor Levy.

Our five-year programme is a bold one that will take a great deal of hard work to deliver. But we've made real inroads in our first year and, with our smarter performance measurement tool, the city will be able to track our progress in the coming years as we deliver for the people of Edinburgh.

Sharing in our success

Promoting inclusion and innovation are at the heart of our new [Economy Strategy](#), approved by councillors earlier this month. This is an important shift in the focus of our work and will help to ensure that all growth is accessible to everyone.

Although Edinburgh remains the second most prosperous UK city outside London, we recognise that jobs growth alone has not been enough to tackle the inequality that still exists. As such, I'm looking forward to working with the public, private and third sectors to fully exploit every opportunity to promote, advance and sustain good growth practices that will benefit all of our residents.

The strategy is based around three key themes: inclusion, innovation and collaboration and includes eight steps, all with action plans. It fits in well with the most recent Scottish Government Economic Strategy and UK Industrial Strategy, both of which have placed increasing emphasis on the need for inclusive growth in Edinburgh, and its delivery will be a big step towards achieving our coalition objectives.

Bold actions to tackle homelessness

Preventing homelessness remains a key priority for us – and so I'm encouraged to see that our Homelessness Task Force has made a number of [bold recommendations](#) to further that work. When implemented, they will improve the quality of life for some of the most vulnerable people in the city.

We want to move towards the ending of B&B use as temporary accommodation, particularly for families, but this will take time. So, in the mean time, we are ensuring B&Bs allow people to wash their clothes, store food and cook during their stay. Service users will also be able to rate the accommodation they are living in so that we can monitor feedback in real time.

At the same time, we are increasing the number of beds available for those sleeping rough through the Rapid Access Programme. And we've committed to finding better solutions for young people requiring temporary accommodation.

We will be applying for funds raised by Social Bite at Sleep in the Park for support packages for homeless people with complex needs using the Housing First model. And, in order that homeless people can get quicker access to a permanent home, the EdIndex board has also agreed to provide an additional 275 homes for homeless people to access through the allocations process. This is precisely the type of innovative partnership working that will lead us to finally making homelessness a thing of the past.

Further progress on Health & Social Care

Last week's meeting of the Edinburgh Integration Joint Board saw universal endorsement for the Edinburgh Health and Social Care Partnership's [Primary Care Improvement Plan](#). The report outlines the Partnership's plans to implement the new 'General Medical Services Contract' and details how, working with colleagues in primary care, we will support a sustainable and stable model for the future.

This support from the EIJB is another positive step for the Partnership coming on the back of the approval of the [Plan for Immediate Pressures and Longer-Term Sustainability](#) last month, which highlighted the areas of investment that will deliver continued and lasting improvements for the IJB and the people it supports.

It's no secret that we face significant challenges in health and social care. However, I am confident in the Partnership's plans to address these and that their approach, which includes a shift towards preventative and early intervention activity, will see a real reduction in dependency on emergency hospital care.

Taking trams to Newhaven

Plans for taking trams to Newhaven continue to take shape, helped enormously by the very welcome input of the local Leith community. I was particularly encouraged by the strong collaborative approach taken by the attendees at our [first design workshop last week](#), which looked at a series of options to make the section between Pilrig Street and the Foot of the Walk as accessible as possible for walking and cycling.

One option – with significantly widened footways and segregated cycleways on both sides of Leith Walk as well as protected loading for businesses – emerged as a clear favourite. The project team will now examine a number of outstanding issues and bring back their recommendations to another workshop next week.

The team has already made a number of amendments to the plans, using feedback submitted during the six weeks of public consultation in March and April. These include moving the Balfour Street tram stop to maintain access for Balfour Street and Cambridge Gardens residents and introducing three new signalised pedestrian crossings between Pilrig Street and the Foot of the Walk.

We continue to work extremely hard to make sure the proposals we'll eventually vote on as a Council later this year are as community-based as possible, and deliver the best road layout for everyone who's going to use the route, whether as a resident, shopper, commuter or visitor.

Changes to Garden Waste

When we set our Budget back in February, we decided to introduce a charge for garden waste collections, a non-statutory service. By doing so we'll be saving around £1.3m, helping us to continue providing essential services like education, road repairs, social care and housing.

By charging a small amount of £25 a year for brown bin collections – which works out at less than 50p a week – we'll be able to continue providing the service while increasing the frequency from every three weeks to fortnightly.

The changes will come into effect from October and, over the coming weeks we'll be writing to households with tips and advice on the changes, and how to sign up. There's [lots of information on our website](#), where you can sign up, as well as guidance for anyone who no longer wants to have their brown bin collected.

If you receive a Council Tax reduction, you will continue to receive brown bin collections for free. But please note you'll still have to register for the service.

The show must go on

The Edinburgh International Film Festival is now fully underway and, to me, the event always signals the start of our busy festival season. And, I'm pleased to say a first flick through the programmes for the Film, Jazz, Book, Fringe, Tattoo and International Festivals suggests this year's events are going to be as ground-breaking as ever.

This summer marks the 40th anniversary of the city's beloved Jazz and Blues Festival and to celebrate, stars who have performed over the last four decades will make a return. It's sure to be a great celebration of music making.

At the Fringe, theatre productions inspired by the *#MeToo* movement will debut, while over at the Book Festival, the First Minister will interview author Ali Smith about Brexit. These events are constantly reinventing themselves and are always relevant, and it is because of this that Edinburgh remains the world's best Festival City.

Year on year, it takes a lot of forward planning and nimble work by Council staff at all levels to support the delivery of our festivals and keep the city moving, and we'll be supporting our Festival partners to get the show on the road once more.

George Grubb

Earlier this week, I joined hundreds of people at the funeral of the Reverend Dr George Grubb.

A former athlete, parish minister, councillor for Queensferry and the first ever Liberal Democrat to become Lord Provost of Edinburgh, George will be widely remembered as a true gentleman of local politics and a man of great community spirit.

I regret only meeting him a handful of times since becoming Council Leader, but I know I speak on behalf of many current and past colleagues when I say he will be remembered fondly by all who knew him.

On behalf of myself, the Council and everybody in the city he represented for so long, I wish to pass on my sincere condolences to his wife Liz and the rest of the family.

Get involved

Keep up to date with all council news via our [news section online](#). You can watch live council and committee meetings via our [webcast](#) service and join the debate on Twitter using #edinwebcast. If you wish to unsubscribe, please [email](#) us.

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10.00am, Thursday, 28 June 2018

Transport for Edinburgh Ltd – Appointment of Director and Non-Executive Directors of Lothian Buses Limited and Edinburgh Trams Limited

Item number

Report number

Executive/routine

Wards

All

Council Commitments

Executive Summary

Appointments to the boards of Lothian Buses Limited (LB) and Edinburgh Trams Limited (ET) were made in 2015 after a recruitment exercise carried out by Transport for Edinburgh (TfE). These appointments were made for a period of three years, and are now coming to an end. Therefore, alternative appointments or re-appointments require to be made to the boards of LB and ET.

Lothian Buses

The board of LB has agreed to make the following appointments and re-appointments:

1. the appointment of Graham Moorhouse as executive director, with responsibility for finance; and
2. the re-appointment of Susan Deacon, Tony Rose, Charlene Wallace, Mark Yexley and Jim McFarlane as non-executive directors (NEDs) for the period from 1 July 2018 to 30 June 2020. These appointment and re-appointments require the approval of the Council.

The Council is asked to acknowledge that:

1. Jim McFarlane will continue as Chair of the board of LB if re-appointed as a NED; and

2. LB has commissioned an external organisation to recruit one NED with financial expertise to replace Donald MacLeod from 30 June 2018. Once an appointment is made, a report will be presented to Council for ratification.

Edinburgh Trams Ltd

The board of ET has agreed to re-appoint Charlene Wallace and Andrew Neal as NEDs for a period of two years from 30 June 2018. These re-appointments require the approval of the Council.

The Council is asked to acknowledge that:

1. Charlene Wallace will assume the position of Chair of the board of ET if re-appointed as a NED and in this case her appointment to the board of LB will not be progressed;
2. ET has commissioned an external organisation to recruit two NEDs, one to replace Charles Monheim, and the other to bring additional construction and development expertise to the board.

Transport for Edinburgh Ltd – Appointment of Director and Non-Executive Directors of Lothian Buses Limited and Edinburgh Trams Limited

1. Recommendations

- 1.1 To recommend that Council:
 - 1.1.1 approves the appointment of Graham Moorhouse as executive director of LB;
 - 1.1.2 approves the re-appointment of Susan Deacon, Tony Rose, Charlene Wallace, Mark Yexley and Jim McFarlane as NEDs to the board of LB for the period 1 July 2018 to 30 June 2020;
 - 1.1.3 approves the re-appointment of Jim McFarlane as NED to the board of LB for the period 1 July 2018 to 30 June 2020, and acknowledges that he will continue as Chairman if re-appointed;
 - 1.1.4 approves the re-appointment of Charlene Wallace and Andrew Neal as NEDs to the board of ET for a period of two years from 30 June 2018 to 29 June 2020;
 - 1.1.5 acknowledges the appointment of Charlene Wallace as Chair of ET from 1 July 2018, following Charles Monheim's stepping down as NED and Chair on 30 June 2018, and acknowledges that her appointment as NED of LB will not be progressed in these circumstances;
 - 1.1.6 acknowledges that ET has commissioned Fast Forward to recruit two NEDs, one NED to replace Charles Monheim, and the other will bring additional construction and development expertise to the board;
 - 1.1.7 acknowledges that LB has commissioned FWB Park Brown Limited to recruit one NED with financial expertise to replace Donald MacLeod from 30 June 2018;
 - 1.1.8 agrees to delegate authority to the Executive Director of Place (or such other officer as he shall nominate) to exercise all voting rights and powers of control available to the Council to procure or facilitate the foregoing.

2. Background

- 2.1 On [22 August 2013](#) Council approved the process for the various corporate and operational documents required for the governance of tram operations.
- 2.2 Under the provisions of the majority shareholder agreement entered into among TfE, the Council and LB on 28 October 2013, LB undertakes that it shall ensure that, save with the prior written consent of the Council, LB shall not effect or propose certain reserved matters. The appointment of directors and NEDs are reserved matters.
- 2.3 Under the provisions of the majority shareholder agreement entered into among TfE, the Council and ET, ET undertakes that it shall ensure that, save with the prior written consent of the Council, ET shall not effect or propose certain reserved matters. The appointment of directors and NEDs are reserved matters.
- 2.4 NEDs were appointed to the boards of LB and ET in May 2015 for a period of three years. The Transport Act 1985 allows for a maximum of seven and a minimum of three non-executive directors.
- 2.5 There will shortly be the need for appointment and re-appointments to be made to the respective boards to ensure that minimum requirements are met.

3. Main report

- 3.1 The recruitment exercise carried out by TfE in 2013 attracted an exceptionally strong field of well qualified and experienced candidates, and resulted in the appointments for all the vacant positions at the time. The boards will benefit from the re-appointment of the candidates appointed in 2013, together with the appointment of Graham Moorhouse to the Board of LB.
- 3.2 The boards wish to re-appoint the following non-executive directors:
Board of LB
Jim McFarlane - Chair
Susan Deacon
Tony Rose
Charlene Wallace
Mark Yexley
Board of ET
Charlene Wallace - Chair
Andrew Neal
- 3.3 Additionally, the board of LB wishes to appoint Graham Moorhouse as Executive Director of LB, with responsibility for finance.

- 3.4 The Council should note that if Charlene Wallace is appointed Chair of the board of ET, she will not take up her appointment as a NED of LB.
- 3.5 It should be noted that the Council does not require to approve the proposed appointment of the Chair of the board of ET, this being a matter for that board to determine.
- 3.6 ET has commissioned Fast Forward to recruit two NEDs. One NED will replace Charles Monheim, and the other will bring additional construction and development expertise to the board.
- 3.7 LB has commissioned FWB Park Brown Limited to recruit one NED with financial expertise to replace Donald MacLeod from 30 June 2018.

4. Measures of success

- 4.1 Delivery of a safe, efficient, and cost effective integrated transport operation for the city.

5. Financial impact

- 5.1 There are no financial impacts arising from this report.

6. Risk, policy, compliance and governance impact

- 6.1 The appointment of directors and NEDs to the boards of LB and ET helps to ensure there is good governance, management of financial risk and independent, external scrutiny of the operation and management of these companies. NEDs owe, by law, certain fiduciary duties to the company to act in its best interests.

7. Equalities impact

- 7.1 The recruitment process for NEDs will be carried in accordance with TfE's Recruitment policy which complies with the relevant equalities legislation.
- 7.2 TfE and its companies provide high quality, accessible transport which helps to promote social inclusion.

8. Sustainability impact

- 8.1 The principle operation undertaken by TfE and its companies contributes greatly to towards a high quality, accessible and well-integrated public transport system. This reduces dependency on car travel, reduces congestions and emissions.

9. Consultation and engagement

None

10. Background reading/external references

None

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11. Appendices

None

The City of Edinburgh Council

10am, Thursday, 28 June 2018

Review of Political Management Arrangements 2018

Item number	8.2
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

This report reviews the political management arrangements that were agreed in June 2017, suggests some efficiency measures and sets out the outcome of the annual review of the key documents that support internal controls, accountability and transparent operation of the Council and recommends appropriate changes. This is to ensure that the key operational governance documents of the Council are comprehensive, relevant, up-to date and support good governance.

Review of Political Management Arrangements 2018

1. Recommendations

- 1.1 To repeal the existing Procedural Standing Orders for Council and Committee Meetings, Committee Terms of Reference and Delegated Functions, Scheme of Delegation to Officers and Financial Regulations and approve in their place appendices 2-6, such repeal and approval to take effect from 29 June 2018;
- 1.2 To delegate authority to the Chief Executive to take such actions and make such minor adjustments to the documents set out in appendices 2-6 as may be necessary to implement the decision of the Council in relation to this report and to produce a finalised version of the documents, making them available to members for information ahead of publication;
- 1.3 To note that the Member/Officer Protocol was being reviewed and would be reported to a future meeting of Council;
- 1.4 To note that the executive committee system agreed in June 2017 is balanced and effectively carrying out its remit;
- 1.5 To agree that Locality Committee should be reviewed at the beginning of 2019;
- 1.6 To consider whether to establish principles for Council Questions;
- 1.7 To agree that work programmes should be rolled out across all executive committees, replacing key decision forward plans;
- 1.8 To note that committees should ensure that reports were only requested when necessary and if appropriate briefing notes should be utilised;
- 1.9 To request that the Chief Executive reviews the report template and guidance, in consultation with elected members, with the aim of providing clearer, more efficient and effective, higher quality reporting.
- 1.10 To note that the Chief Executive was exploring methods to improve report processes across the Council and would report on progress to the Governance, Risk and Best Value Committee in August 2018;
- 1.11 To agree a six-month pilot of increased contract monitoring reports with a report reviewing the pilot and considering whether further amendments to the Scheme of Delegation to Officers should be implemented; and
- 1.12 To consider the political balance of the Personnel Appeals Committee, Regulatory Committee and Licensing Sub-Committee and make such changes as felt appropriate.

2. Background

- 2.1 The Council in June 2017 agreed to introduce a streamlined executive committee model. This structure aimed to support the Council in delivering its services in a transparent, flexible and accountable manner that was responsive, efficient and accessible. It aimed to ensure the business of the Council was joined up, took account of the changes in partnership working such as the creation of the Edinburgh Integration Joint Board but also that underpinned genuine and meaningful democratic decision making.
- 2.2 The structure reduced the number of executive committees from eight to six, combining committees with smaller remits and which experienced fewer reports being submitted to it, to ensure there was a more balanced executive committee system. The Police and Fire Scrutiny Committee was dissolved with the powers being allocated to the Corporate Policy and Strategy Committee and the new locality committees. The Petitions Committee was also discontinued but with the process remaining and petitions going directly to the relevant decision-making body.
- 2.3 The Council instructed the Chief Executive to review these arrangements in 12 months.

3. Main report

- 3.1 The review of political management arrangements intends to examine the success of the political management arrangements agreed in June 2017. It will look at whether the committees are balanced and effective, the quality of reporting and the levels of delegation. Any pressure points that have arisen in the previous twelve months will also be highlighted.
- 3.2 It is recommended that the locality committees are reviewed at the beginning of 2019 to allow for a greater number of meetings to take place to base any analysis on. The report will also take into account the changes to the political balance of the Council.

Review of Committee System

- 3.3 The Council when considering the impact of the changes to the political management arrangements should examine the success in terms of whether executive committee remits are balanced and operating successfully, and whether there is an efficient system in place. When streamlining its committee structure, the Council took account of the number of reports considered by each committee. The 2012-17 model experienced a high number of reports peaking in 2014 with 970. This report examines statistics from previous years and compares these to the first six months of 2018 (June estimated). It is recognised that quantitative statistics alone do not tell the whole story and do not identify the significance of reports. However, the number of reports and the length of meetings together can provide an insight into where there are inherent pressures.

- 3.4 The 2018 figures for the City of Edinburgh Council show a significant increase on previous years. The numbers for 2018 are for January – June and have been estimated for those meeting not yet taken place using the expected reports in work programmes. Neighbourhood Partnership, appeal and quasi-judicial reports have not been included in the totals for the City of Edinburgh Council. The 2017 figures are lower and this is expected in an election year but the City of Edinburgh Council has and continues to report to its committees consistently more compared to other major Scottish City Councils.
- 3.5 The average length of committee meetings has also increased since the 2017 local government elections. The difference was particularly marked in the last six months of 2016 where there was 64 hours of filming and the last six months of 2017 when there was 102 hours filmed. Generally, since the local government elections, meetings are longer and contain more reports.
- 3.6 The changes to the committee system also aimed to reduce the number of committees. This was sought through the reduction of executive committees and their frequency and the discontinuing of the Police and Fire Scrutiny Committee and the Petitions Committee. Although there has been a reduction in the number of main committees from 55 in the first half of 2017 to 51 in the first half of 2018, the reduction is less marked than envisaged. This is due to the creation of locality committees, one-off special executive committees and the increased number of Finance and Resources Committee meetings.
- 3.7 The executive committee system agreed in June 2017 has produced a more balanced set of committees that are engaged, productive and busy and the imbalances of the 2012-17 structure are no longer so obvious. The remits of the executive committees are joined up, with clear linkages between services but without creating remits that are unwieldy and counter-productive. There are overlaps between executive committees with specific projects and initiatives but the decision-making accountability is clear and joined up working between different facets of Council services are encouraged. The committees also provide political leadership to key services within the City which could be undermined if the committee system was further reduced.
- 3.8 As stated previously the Police and Fire Scrutiny Committee and the Petitions Committee were discontinued in June 2017. This has been successful with the remits of the scrutiny committee now being carried out by Corporate Policy and Strategy Committee and locality committees. The reporting to locality committees is still at an early stage but it is recommended that this is continued to allow a local focus on performance with police and fire services. The Petitions process was maintained despite the Committee being discontinued and statistics have shown there has been no reduction in the number of petitions submitted to the Council but the process is now simple, less bureaucratic, and quicker for the petitioner. It is recommended the Council keeps the process operating as agreed in June 2017.

3.9 Despite the reductions in the number of committees, overall committee reporting has increased. The balance of committees has been successful as has the discontinuation of the Police and Fire Scrutiny Committee and the Petitions Committee. However, the number of committee reports and the strain this puts on resources and decision-making time for elected members needs to be considered. No changes are recommended to the remits of committees but the following measures are recommended to help ensure the committee system is efficient, avoids duplication and elected members are provided with high quality relevant information to enable good decision making:

3.9.1 Council Questions

3.9.2 Committee reporting

3.9.3 Report Template and Process

Council Questions

3.10 There has been a sharp increase in Council Questions since the election in 2017. Council questions have increased from 64 in the whole of 2016 and 28 in the first 5 months of 2017 to 141 in the first five months of 2018.

3.11 Council Questions are a key component of the Council's democratic process but the increase is resource intensive for officers and often can be focussed on local matters or seeking information that could be answered in a more efficient manner. No changes are proposed to the rules surrounding Council Questions but consideration should be given how best use can be made of resources and the following guidance for Council Questions is proposed for consideration:

3.11.1 Questions should not be solely for information gathering purposes; and

3.11.2 If on a local issue, it should be considered initially whether this could be raised through the relevant locality committee.

Committee Reporting

3.12 As stated previously the number of reports is high across the Council's committees. One reason is that committees often receive reports on matters where information could be provided in different ways which is less resource intensive but still provides the required information. Officers should ensure that they are reporting only when seeking a decision or for scrutiny and those matters that are simply for information should be provided to elected members in a more efficient and user-friendly manner. Additionally, committees should only insist on further reports when it is necessary for further decisions or to scrutinise the service. Briefing notes can be used to provide the information that councillors need when a decision or further scrutiny is not required.

3.13 It is recommended that work programmes are rolled out across all executive committees instead of key decision forward plans. These will provide a more detailed forward look which will allow committees to ensure that business is well managed throughout the year and help avoid meetings that have over burdensome agendas.

Committee report process and quality of reporting

- 3.14 Audit Scotland in their follow up report on Scotland's Public Finances highlighted that all public bodies, including Councils, needed to improve the level and consistency of information provided for scrutiny and decision making. Examples included limited financial information, unclear actions, responsibilities and measurable outcomes and scrutiny taking place in private rather than in public.
- 3.15 The Council has attempted to address many of these concerns with an added focus and guidance on the financial implications section, the creation of a 'measures of success' section and a risk section, and guidance on report writing generally. This met Audit Scotland's recommendations but feedback has been that reports are often too long and do not enable effective scrutiny and consideration.
- 3.16 As a result, it is recommended that the Chief Executive reviews the report template and guidance, in consultation with elected members before it is formally agreed. The review should take into account the requirements to provide sufficient financial, risk and statutory information but seek to reduce the accessibility, length and number of reports.
- 3.17 The committee report process has been in place since 2010 and has been effective in ensuring reports are provided to committee. The increased pressures of reduced staff numbers and an increase in the number of reports has produced strains in the system. The system is very manual, does not produce a focussed approach to reporting and can result in reports being delayed. The Chief Executive is currently exploring an automated reporting process that would reduce the administrative burden on officers but also produce a more focussed approach to officer reporting. This would allow committees and senior management to more effectively plan their workloads, prioritising key areas and projects. The progress with this initiative will be reported to the Governance, Risk and Best Value Committee in August 2018.

Delegation

- 3.18 The powers and levels of delegation within the Scheme of Delegation, although undergone modernisation and review, have not been increased since the 1990s. It is suggested that The Scheme of Delegation is amended to take account of the increase in Council business to enable efficient and effective services whilst ensuring that major decisions and policy are always taken by elected members. Decisions are unable to be delegated to individual elected members due to the requirements set out in the Local Government (Scotland) Act 1973 but further decisions could be delegated to officers in consultation with conveners and vice-conveners.
- 3.19 However, it is recognised that elected members must ensure that the Council is carrying out its services correctly and in line with policy and legislation. As a result, it is proposed a pilot is undertaken that would explore whether the levels of delegation can be increased to allow more routine decisions to be taken by officers prior to the delegation being amended. The Finance and Resources Committee considers a significant number of routine matters which could hinder the Committee's ability to effectively scrutinise matters unless meetings are added to

the Council diary. Thus, it is suggested that contracts are used as the basis of the pilot.

- 3.20 It is proposed that the thresholds are eventually altered which would reduce the number of reports going to committee but allow a greater focus on higher value projects. The proposed thresholds are as follows: -
- 3.20.1 Consultancy from £25,000 to £500,000 (below £500,000 authority is delegated to the relevant Director in consultation with Chief Executive, Chief Finance Officer and Chief Procurement Officer)
 - 3.20.2 Services and Supplies from £1M to £5M (below £5M authority is delegated to the relevant Director in consultation with Chief Executive, Chief Finance Officer and Chief Procurement Officer)
 - 3.20.3 Works from £2M to £10M (below £10M authority is delegated to the relevant Director in consultation with Chief Executive, Chief Finance Officer and Chief Procurement Officer)
- 3.21 However, any change to the level of delegation would require an increase in monitoring and scrutiny. Accordingly, a report would be produced every six months that details proposed contracts, waivers and contracts awarded. This would allow elected members to ask for verbal updates on any of the proposed contracts and an opportunity to ask for a contract to be reported separately for approval at committee. This system should enable elected members to influence Council contracts more but within the rules governing procurement.
- 3.22 These changes would have resulted in the number of reports on contracts being reduced from 60 in 2017/18 to 24.
- 3.23 It is proposed that the additional monitoring is brought in for a pilot period of six months, whereupon Council would consider whether the monitoring was of a sufficient nature to allow for the further delegation to be implemented as detailed in the paragraphs above.

Changes to political balance

- 3.24 Recent changes to the political representation of the Council were reported and amended at the Council on 15 March 2018. However, it agreed to review the representation of those committees with nine members within this report. The committees affected are the Personnel Appeals Committees, the Regulatory Committee and the Licensing Sub-Committee.
- 3.25 The membership of these committees is currently: 3 SNP, 2 Conservative, 2 Labour, 1 Green and 1 Liberal Democrat. For the membership to reflect the political balance of the Council, an SNP member should be replaced by a Conservative member.

Operational Governance Framework

- 3.26 The documents that make up the Operational Governance Framework of the Council are reviewed annually. The following documents will be reviewed and attached for approval at the Council meeting:
- 3.26.1 Procedural Standing Orders for Council and Committee Meetings;
 - 3.26.2 Committee Terms of Reference and Delegated Functions;
 - 3.26.3 Scheme of Delegation to Officers;
 - 3.26.4 Financial Regulations; and
 - 3.26.5 Contract Standing Orders
- 3.27 In light of possible upcoming changes to the Councillors' Code of Conduct and changes in Information Governance it is recommended that the Member/Officer Protocol is reviewed and submitted to a future meeting of Council. This will allow for greater clarity in particular around information sharing.
- 3.28 On 31 May 2018 the Council agreed a motion by Councillor Lang to explore whether further provision should be made for private business at committee. It is proposed that Procedural Standing Orders are amended to articulate the rules around taking matters in private and also provide greater clarity on meetings in public. The motion also asked that the question of when confidentiality should be lifted is addressed. There is no one answer for this, as the reasons for a matter being in private vary and it is suggested that the matter is explored further as part of the work on the Member/Officer Protocol.
- 3.29 Minor changes are proposed to the Financial Regulations to ensure it is relevant and up to date.
- 3.30 The Scheme of Delegation to Officers has been updated to ensure it is up to date, reflects the changes in the Council's operational structure and includes changes proposed by the Planning Committee of 14 March 2018.
- 3.31 Minor changes, none of which will impact upon elected members decision making powers in any way, are proposed to the Contract Standing Orders including:
- 3.31.1 A requirement to comply with the Contract Management Manual which sets out the detailed requirements of contract management. Embedding effective contract and supplier management as policy is essential to the delivery of best value, continuous improvement and meeting the Council's strategic objectives;
 - 3.31.2 Updated reference to the Edinburgh Integration Joint Board and Chief Officer in the document's definitions and interpretation;
 - 3.31.3 Updating the responsibilities of Executive Directors to meet the legal requirement to arrange for publication of contract notices ensuring which improved compliance, particularly where direct awards are made in service areas; and

3.31.4 Updating the responsibilities of Executive Directors to ensure that all relevant checks relating to tax legislation, in particular IR35, as well as all necessary disclosure checks are made prior to a contract being awarded.

4. Measures of success

4.1 To improve the efficiency of the committee system and ensure that the Council's operational governance framework was up to date and relevant.

5. Financial impact

5.1 There is no financial impact as a result of this report.

6. Risk, policy, compliance and governance impact

6.1 It is good governance to maintain an annual review of the Council's key operational governance documents.

7. Equalities impact

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

8. Sustainability impact

8.1 There is no sustainability impact as a result of this report.

9. Consultation and engagement

9.1 Consultation has taken place with group leaders and directorates.

10. Background reading/external references

10.1 [Planning Committee 14 March 2018 minute](#)

10.2 [The City of Edinburgh Council 22 June 2017 – Political Management Arrangements](#)

Andrew Kerr

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11. Appendices

Appendix 1 – Statistics

Appendix 2 - Procedural Standing Orders for Council and Committee Meetings

Appendix 3 - Committee Terms of Reference and Delegated Functions

Appendix 4 - Scheme of Delegation to Officers

Appendix 5 - Financial Regulations

Appendix 6 – Contract Standing Orders

Appendix 7 – Table of Proposed Changes

Appendix 1

Total Number of Reports

Total number of reports	2015	2016	2017	2018
Edinburgh	970	859	653	460 (543 with locality committees) (first six months)
Aberdeen	500- 650	607	442	n/a
Dundee	500 -650	417	447	n/a
Glasgow	682	596 (875) if area partnerships included)	465 (777) if area partnerships included)	n/a

Report Number by Committee

Name of Committee	2016 (first 6 months)	2016 (last 6 months)	2017(first 6 months)	2017 (last 6 months)	2018 (first 6 months)
City of Edinburgh Council	37	21	51	24	38
Communities and Neighbourhoods Committee (pre May 2017)	7	10	10		
Corporate Policy and Strategy Committee	40	31	56	32	31
Culture and Communities Committee (post May 2017)				24	38
Culture and Sport (pre May 2017)	11	29	10		
Economy Committee (pre May 2017)	32	15	15		
Education, Children and Families Committee	38	30	13	42	42
Finance and Resources Committee	140	116	68	91	103

Governance, Risk and Best Value Committee	41	42	25	39	29
Housing and Economy Committee (post May 2017)	N/A	N/A	31	31	35
Health, Social Care and Housing Committee (pre May 2017)	36	22	17		
Integration Joint Board			31	41	35
Planning Committee	15	21	18	17	12
Regulatory Committee	13	16	8	11	18
Transport and Environment Committee	57	39	44	46	42

Council Questions

	2016	2017	2018
January	0	11	36
February (1)	3	0	3
February (2)	n/a	n/a	26
March	4	12	30
April	10	5	n/a
May (1)	5	0	30
May (2)	n/a	n/a	16
June (1)	9	0	n/a
June (2)	4	12	n/a
August	4	25	n/a
September	5	26	n/a
October	5	20	n/a
November	10	30	n/a
December	10	26	n/a

APPENDIX 2

CITY OF EDINBURGH COUNCIL

PROCEDURAL STANDING ORDERS

FOR COUNCIL

AND COMMITTEE MEETINGS

CONTENTS

1.	First meeting of the Council after an election	3
2.	Lord Provost and Depute Convener – Term of Office	3
3.	Ordinary and special meetings	3
4.	Notice of meetings	4
5.	Quorum	4
6.	Lord Provost – Council Meetings	5
7.	Convener– Committees	5
8.	Lord Provost and Convener – Duties	5
9.	Order of business	6
10.	Power to vary order of business	7
11.	Declaration of interests	7
12.	Deputations	7
13.	Minutes	8
14.	Council questions	8
15.	Leader’s report and questions	8
16.	Notices of Motion	9
17.	Private Items	9
18.	Order of debates	9
19.	Length of speeches	9
20.	Motion for adjournment	10
21.	Debate	10
22.	Closure of debate	12
23.	Voting	12
24.	Appointments	13
25.	Point of order	14
26.	Suspension of Standing Orders	14
27.	Obstructive or offensive conduct by members	14
28.	Changing a Council decision	14
29.	Referring a decision to Council	14
30.	Committee – non-member motion	15
31.	Ward or members with special interest	15
32.	Freedom of the City	15
33.	Admission of media and members of the public	15
34.	Variation and revocation of Standing Orders	16
35.	Review of Standing Orders	16

STANDING ORDERS

These standing orders (“**Standing Orders**”) apply from 29 June 2018 and regulate the conduct of business at meetings of the City of Edinburgh Council (“**Council**”) and the committees or sub-committees of the Council (“**Committees**”).

1. **First meeting of the Council after an election**

1.1 In an election year, the Council will hold a meeting at 10 am, no later than the third Thursday after the day of the ordinary election of Councillors.

1.2 At this meeting or at any adjournment of it, the Council will

- (a) appoint the Lord Provost;
- (b) seek to appoint the Depute Convener, the Leader and Depute Leader of the Council, the members of the committees of the Council and their conveners and any vice-conveners, the members of the joint committees and joint boards, the members of the Licensing Board and such representatives to other bodies as the Council may decide to appoint; and
- (c) deal with any urgent competent business.

2. **Lord Provost and Depute Convener – term of office**

2.1 The Council may at any time agree to remove the Lord Provost and Depute Convener from office, with immediate effect, provided that not less than three quarters of the members of the Council present and voting so decide.

3. **Ordinary and special meetings**

3.1 A meeting of the Council will be held at 10 am on every fourth Thursday.

3.2 In a non-election year the Council, at its first ordinary meeting in May will; appoint the Leader and Depute Leader, the members of the committees of the Council and their conveners and any vice-conveners and the members of the joint committees and joint boards.

3.3 The Lord Provost may in exceptional circumstances alter the arrangements for ordinary meetings or authorise a special meeting to be called. A special meeting may also be called at any time by written request to the Clerk specifying the business to be transacted and signed by at least one quarter of the members of the Council. The Clerk will arrange for the special meeting to be held within 14 days of receipt of the request. The right to call a meeting does not apply to Committees.

3.4 The Council may recess for periods to be determined by the Clerk after consultation with the Lord Provost and the Leader of the Council. During any

recess no meetings of the Council, Executive Committees or the Governance, Risk and Best Value Committee will be held.

4. **Notice of Meetings**

4.1 At least 3 clear days before a meeting of the Council or its Committees:

(a) the Clerk will publish a notice of the time and place of the intended meeting. If the meeting is called by members of the Council, the signed request will accompany the notice; and

(b) a summons to attend the meeting containing the agenda of business will be sent to every Council member by email or to an alternative address nominated by them. If a summons is not sent to any member, the meeting will still be validly called only if good reason is shown for failure to send such a summons.

4.2 A Committee will hold such meetings as the Council may prescribe, but the Clerk will call additional meetings of a Committee at any time on being required to do so by the Committee concerned, or at the request of the Convener. Meetings will be called at least six days before the meeting date in accordance with the statutory requirements

4.3 The Clerk will call a special meeting to be held within eight days of receiving a written request specifying the business to be transacted and signed by at least one quarter of the members of the Committee concerned.

4.4 Any summons issued under Standing Order 4.1 must give a note of the agenda of business and the proposed order for dealing with business at the meeting.

4.5 No business other than that set out in the notice of meeting may be dealt with unless it is brought before the Council or Committee as a matter of urgency. The Lord Provost or Convener must rule that it is a matter of urgency and give the reasons for the ruling to be noted in the minutes. The item must be made known at the start of the meeting when the order of business is decided. If the Lord Provost or Convener rules that the matter is not urgent, it will be included as an item for the next ordinary meeting of the Council or next scheduled committee meeting, unless dealt with earlier.

5. **Quorum**

5.1 The quorum of the Council is sixteen. No business may be transacted at any meeting unless a quorum is present. If fewer than sixteen members are present ten minutes after the appointed time for the start of the meeting the division bell will be rung. If after a further period of three minutes there are still fewer than sixteen members present, the meeting will be adjourned until such date and time as the Lord Provost decides.

- 5.2 If at any time during a Council meeting a question arises on whether there is a quorum, the Lord Provost will instruct a count of the members who are present. If a quorum is not present, the meeting will be adjourned until such date and time as the Lord Provost decides.
- 5.3 Subject to law the quorum of a Committee will be one third of the number of voting members of the Committee (see Committee terms of reference for specific numbers) provided that in no case will any business be transacted unless at least two voting members are present.
- 5.4 If fewer members are present five minutes after the time appointed for the start of a Committee meeting than are needed to constitute a quorum the meeting will be adjourned until such date and time as the Convener decides. After a meeting has started, if the number of members present falls below the quorum the meeting will be adjourned immediately until such date and time as the Convener decides.
- 5.5 A member who has declared an interest in an item of business and has left the meeting may not be counted in the quorum for that item of business. If less than a quorum of the Council or Committee is entitled to vote on an item due to declaration of interests that item cannot be dealt with at the meeting.

6. **Lord Provost - Council Meetings**

- 6.1 The Lord Provost will chair any Council meeting when he or she is present. When the Lord Provost is absent from a Council meeting, the Depute Convener will chair the meeting. When the Lord Provost and Depute Convener are absent, another member of the Council, chosen by the members present, will chair the meeting.

7. **Convener - Committees**

- 7.1 The Convener will chair any meeting of a Committee when he or she is present. When the Convener is absent from a Committee meeting the Vice-Convener, if appointed, will chair the meeting. When the Convener and Vice-Convener are absent, another member chosen by the members present will chair the meeting.

8. **Lord Provost and Convener- Duties**

- 8.1 The duties of the Lord Provost or Convener of the meeting, in accordance with these Standing Orders, will include:
- (a) Deciding on all matters of protocol, decorum, order, competency and relevancy;
 - (b) Determining all matters of procedure for which no provision is made within these Standing Orders. In reaching this determination he/she may be advised by the Clerk;
 - (c) Deciding priority between two or more members wishing to speak;

- (d) Ensuring that a fair opportunity is given to all members to express their views on any item of business;
- (e) Preserving order within the meeting;
- (f) Ordering the exclusion of any member of the public, in order to prevent or suppress disorderly conduct or any other behaviour which impedes or is, in the Lord Provost or Chair's opinion, impeding the business of the meeting;
- (g) In the event of disorder arising, adjourning the meeting to a time and date the Lord Provost or Convener will fix then or later. In leaving the meeting, the Lord Provost or Convener in such circumstances, will without further procedure, have formally adjourned the meeting;
- (h) Signing the minutes of the previous meeting;

8.2 The decision of the Lord Provost or Convener in relation to all questions regarding Standing Orders is final, but in reaching these decisions advice may be sought from the Clerk.

9. **Order of Business**

9.1 **Full Council** – the business of Council at ordinary meetings will take place in the following order:

- (a) Order of Business
- (b) Declaration of Interests
- (c) Deputations
- (d) Minutes
- (e) Council Questions
- (f) Leader's Report
- (g) Appointments
- (h) Reports
- (i) Motions

10. **Power to vary order of business**

- 10.1 The Council or Committee may at any meeting vary the order of business to give precedence to any item on the agenda:
- (a) at the discretion of the Lord Provost or Convener; or
 - (b) on a motion duly moved and seconded and voted on electronically or by a show of hands.

11. **Declaration of Interests**

- 11.1 Where a member declares an interest in accordance with the Councillors' Code of Conduct and leaves the meeting, the fact will be recorded in the minutes of the meeting.

12. **Deputations**

- 12.1 The Council or any Committee can hear deputations on any matter that is included in its power, duties or delegation.
- 12.2 Every application for a deputation must be from an office bearer of an organisation or group. It must be submitted by email or in writing, setting out the subject of the deputation and be delivered to the Clerk no later than 5pm on the day before the meeting concerned. The Lord Provost or Convener has discretion to waive both these requirements.
- 12.3 The Clerk will submit the application to the Council or relevant Committee. An application for a deputation to Council will only be submitted if it relates to an item of business on the agenda for that meeting or if the Lord Provost decides that there is sufficient reason for the meeting to consider it.
- 12.4 When the Council or Committee considers whether to hear a deputation, it must not discuss the merits of the case itself. If necessary a vote will be taken without discussion on whether to hear the deputation.
- 12.5 Each deputation will not usually exceed four persons and will have ten minutes to present its case. If the meeting decides to hear more than one deputation on the same subject, they will be heard together. The Lord Provost or Convener will decide how much time to allow.
- 12.6 Unless the Lord Provost or Convener decides otherwise, the total maximum time allowed for deputations to present their cases at a meeting, excluding questions, will be limited to 60 minutes.
- 12.7 Any member can put a question to the deputation that is relevant to the subject. The total time allowed for such questions will not be more than ten minutes for each deputation. The merits of the case must not be discussed by members until the deputation has withdrawn.

12.8 Standing Order 12 does not apply in connection with hearings at the Licensing Sub-Committee, the Development Management Sub-Committee, or the City of Edinburgh Planning Review Body, nor to any subsequent consideration of the subject of the hearing.

13. **Minutes**

13.1 The Clerk will minute all Council and Committee meetings. The minutes will record the names of the members who attended the meeting and record, in the event of a vote, how each individual member voted. They will be circulated among members of the Council or Committee at least three clear working days before its next meeting for approval. If they are approved as a correct record of proceedings of the meeting, the Lord Provost or Convener of the meeting will sign them.

14. **Council Questions**

14.1 At any Council meeting, a member may put a question to the Lord Provost or to any Convener or Vice-Convener with relevant responsibility about any relevant or competent business. The question must be given in by email or in writing to the Clerk by noon on the seventh working day before the meeting. The Lord Provost or Convener may specify that a particular question will be answered by another Convener or Vice-Convener, with that member's consent.

14.2 A member may put a question to a Convener or Vice-Convener at a Council meeting about any matter that is on the summons for that meeting. He/she must give the question orally or in writing to the Clerk by 10am on the day before the meeting.

14.3 After a question has been answered the questioner may ask a supplementary question, if necessary, to seek clarification of the answer given. The total time for asking a supplementary question and replying to it will not be more than 5 minutes. The total time for all such questions and answers will not be more than 40 minutes.

14.4 No discussion will be allowed on any question or answer.

15. **Leader's Report and Questions**

15.1 At a meeting, a member may put one or more oral questions to the Leader in connection with the Leader's Report. The Leader may invite a Convener or Vice-Convener to respond on his/her behalf. The total time allowed for such questions and answers will not be more than 40 minutes.

15.2 No discussion will be allowed on any question or answer.

16. **Notices of Motion**

- 16.1 Every formal notice of motion will be in writing and signed off by the member giving the notice. The notice must be delivered to the Clerk by noon on the seventh working day before the meeting. Those not received within this timescale, will not be included in the summons calling the meeting.
- 16.2 Late formal notices of motion may be submitted to the Council or Committee at the appropriate time in the meeting, in terms of Standing Order 4.4 if:
- (a) They have been delivered to the Clerk before the start of the meeting;
 - (b) They are considered by the Lord Provost or Convener to be competent, relevant and urgent; and
 - (c) They have been circulated to members before the meeting commences or read by the Clerk to the meeting at the appropriate time in the meeting.
- 16.3 Late motions which are not accepted as urgent by the Lord Provost or Convener, will be considered at the next ordinary meeting.
- 16.4 Every formal motion submitted, in terms of Standing Orders 16.1 and 16.2, will require to be moved and seconded formally. If such a motion is not moved and seconded formally it will fall and this will be recorded in the minutes.

17. **Public Meetings and Private Items**

- 17.1 Meetings of the Council are generally open to the public but the Local Government (Scotland) Act 1973 does allow the Council to hear matters in private if they meet the description of confidential information as defined in the Act or by resolution if the Council agrees that if the meeting was held in public, then exempt information as defined in Schedule 7(A) of the Act would be disclosed.
- 17.2 Being open to the public requires that the public should be able to attend and observe meetings and should have access to all agendas and reports that are not ruled private under the Act. To ensure access for the majority of residents who cannot attend in person, the Council will endeavour to webcast all appropriate meetings that are open to the public

17.3

18. **Order of Debates**

- 18.1 A member who wishes to speak, when called on, will address the Lord Provost or Convener. The member will speak directly on the motion or amendment that is being proposed, seconded or discussed, or on a question of order. No member can speak more than once on any subject that is being discussed, except for a point of order or, with the permission of the Lord Provost or Convener, to give an explanation. The person proposing the motion has a right of reply.

19. **Length of Speeches**

19.1 Except with the Lord Provost or Convener's permission the proposer and seconder of a motion or an amendment must not speak for more than five minutes, and all other speakers for not more than three minutes. The proposer of the original motion may speak for up to five minutes in reply, and the reply must not introduce any new matter into the debate. After that, the discussion will finish and the Lord Provost or Convener will direct that a vote be taken.

20. **Motion for Adjournment**

20.1 A motion to adjourn the meeting may be put at any time, except if a member is speaking, and will have precedence over all other motions. It must be moved and seconded without discussion and must at once be put by the Lord Provost or Convener in the form of 'adjourn' or 'not adjourn.'

20.2 A second or subsequent motion to adjourn may not be made within half an hour unless it is moved by the Lord Provost or Convener when it will be dealt with as in Standing Order 19.1.

21. **Debate**

21.1 A member wishing to speak will rise and address the Lord Provost or Convener. He/she will speak only on the matter under consideration or on a question of order.

21.2 A member proposing to submit a motion or amendment on any subject under discussion will before addressing the meeting state the terms of the motion or amendment. If he/she fails to do so the Lord Provost or Convener will ask him/her to state the terms. Every motion or amendment must be moved and seconded and will, when required by the Lord Provost or Convener, be put in writing and handed over to the Clerk.

21.3 That any motion or amendment, to any subject under discussion be provided to the clerk no later than 2pm on the working day before the meeting unless the motion or amendment:

- a) Moves the recommendations of the report; or
- b) Calls for a continuation of consideration of the item to a future meeting; or
- c) Moves no action; or
- d) Has been ruled urgent by the Lord Provost or Convener; or
- e) Can be submitted verbally at the meeting and with the consent of the Lord Provost or Convener.

21.4 Clause 20.3 will not apply to any agenda items where the final report or reports were not issued alongside the notice of the meeting.

- 21.5 Minor changes to motions and amendments are permitted but these should be able to be verbally altered at the meeting.
- 21.6 The Council or Committee can agree that in exceptional circumstances the requirements of this standing order can be ignored.
- 21.7 The mover and seconder of any motion or amendment or adjustment thereof may speak in support of the motion or amendment for not more than five minutes. No other speaker may speak for more than three minutes or more than once in the same discussion except to call attention to a point of order.
- 21.8 The mover of the original motion will have the right to speak for a further five minutes in reply to the debate after which the discussion will be closed. The mover of the motion must, in his/her reply, strictly confine himself/herself to answering previous speakers and not introducing any new matter. No member will be permitted to offer an opinion or to ask a question or otherwise to interrupt the proceedings. The motion and amendment(s) will then be voted on by members.
- 21.9 The limits of time specified in Standing Orders 20.3 and 20.4 may be exceeded with the consent of the majority of members present and the Lord Provost or Convener may determine, without taking a vote, whether such consent has been obtained.
- 21.10 When a motion and two or more amendments are before the meeting, the Lord Provost or Convener will decide the order and manner for putting the motion and amendments to the meeting. The Lord Provost or Convener (or nominee) will have the right to move a minute or report, as the original motion, with all alternative proposals considered as amendments.
- 21.11 The mover of the motion or amendment may agree to add all or part of an amendment moved and seconded by other members, provided that:
- (a) His/her seconder consents;
 - (b) The mover and seconder of the other amendment consents; and
 - (c) The agreement takes place before the mover of the motion has replied.
- 21.12 The mover of an amendment, which is not seconded, may have his/her dissent to the decision of the Council or Committee recorded in the minute.

22. **Closure of Debate**

22.1 Any member who has not spoken on the question before the meeting may propose 'that the matter now be decided'. If this is seconded and the Lord Provost or Convener thinks the question has been discussed enough, he or she will order that a vote on the motion be taken, without amendment or discussion. If the motion that the matter now be decided is carried, the proposer of the original motion will have a right to reply, and the question itself will then be put to the meeting. If the motion that the matter be now decided is not carried, a similar motion may be made after every two further members have spoken.

23. **Voting**

23.1 A vote may be taken by members standing in their places either calling the roll, by electronic voting or by a show of hands. When it is proposed to take the vote by members standing in their places, electronic voting or by a show of hands, any member may object and if ten members present at the Council or two members in any other Committee object, the vote must be taken by calling the roll. All votes on procedure, however, will be taken by a show of hands.

23.2 When a motion and amendment are before the Council or Committee the proposal receiving the support of a majority of members present and voting will be declared to be a decision of the Council or Committee.

23.3 When a motion and two or more amendments are before the Council or Committee and the adoption of one or more of the proposals would result in either the continuation of a decision or no action, a vote will firstly be taken on the proposal(s) involving continuation or no action as soon as the discussion is completed. This vote will be taken 'for or against' either continuation or no action. Any vote necessary on the remaining proposals will be taken in terms of Standing Order 22.1.

23.4 When a motion and two or more amendments, none of which involves continuation or no action, are before the Council or Committee, the vote will be taken on all proposals, each member having one vote. If a proposal receives the support of a majority of members voting it will be declared to be the decision of the Council or Committee. If none of the proposals receives the support of a majority of those voting, the one which has received the fewest votes will be dropped and a fresh vote taken on the remaining proposals. If there is an equal number of votes between the proposals with the fewest votes the Lord Provost will have a casting vote to determine which proposal should be dropped. If the Lord Provost does not exercise his/her casting vote, the decision will be by lot. This process of elimination will continue until one proposal has received majority support from those voting which will be declared the decision of the Council or Committee.

23.5 If there are equal numbers of votes, the Lord Provost or Convener will have a casting vote except where the vote relates to appointing a member of the Council to any particular office or committee. In this case, the decision will be by lot.

23.6 In a meeting of the Council, the City Officer will ring the Division Bell for sixty seconds immediately before any vote is taken. The doors of the Council Chamber will then be locked and voting undertaken by the Clerk. Where a series of votes is to be taken, which in the opinion of the Lord Provost are on related subjects, the Lord Provost may suspend the requirements of this Standing Order after the first vote in the series.

23.7 If a vote has been taken and a member immediately challenges the accuracy of the count, the Lord Provost or Convener will decide whether to have a recount. If there is a recount, the Lord Provost or Convener will decide how this should be taken

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24. **Appointments**

24.1 When appointing a member of the Council or any person to office where the number of candidates is more than the number of vacancies, the person to be selected may be decided by ballot. In each case, members can vote for as many candidates as there are vacancies but in any vote, they may only vote once for any one candidate.

24.2 If only one vacancy is to be filled and one candidate has an absolute majority of the votes cast, that candidate will be declared appointed. If this is not the case, the name of the candidate with the fewest votes will be taken off the list of candidates. This process of elimination will continue until the number of remaining candidates equals the number of vacancies or one candidate has a majority and there is only one vacancy. That candidate or those candidates will be declared to be appointed.

24.3 If there is a vote between more than two candidates and there are an equal number of votes for candidates with fewest votes, there will be an extra vote by ballot of those candidates. The name of the candidate with the fewest votes will be taken off the list. If there are an equal number of votes between two candidates, the candidate to be taken off the list will be decided by lot.

24.4 Subject to law, appointments to outside bodies are for the life of the Council unless the person appointed resigns from the appointment or the outside body's constitution specifies a different time period.

25. **Point of Order**

25.1 Any member may raise a point of order at any time during a meeting. Any member who is addressing the meeting when a question of order is raised will resume his/her seat until the question has been decided by the Lord Provost or Convener. The member raising the point of order will advise which Standing Order he/she considers is being infringed and thereafter, without debate, await the Lord Provost or Convener's decision. No other member may speak to the point of order unless with the permission of the Lord Provost or Convener. The decision of the Lord Provost or Convener will be final and cannot be discussed.

26. **Suspension of Standing Orders**

26.1 The Council may on a motion duly moved and seconded, and with the consent of two thirds of members voting, suspend any Standing Order specified in the motion. Any such motion may be submitted, without previous notice, and will be voted on electronically or by a show of hands without discussion.

26.2 Standing Orders 2, 8, 20.6, 24, 25, 26 and 32 will not be capable of suspension.

27. **Obstructive or offensive conduct by members**

27.1 If any member at any meeting disregards the authority of the Lord Provost or Convener, or behaves obstructively or offensively, a motion may then be proposed and seconded to suspend the member for the rest or any part of the meeting. The motion will be put without discussion. If it is carried, the City Officer or Clerk will act on any orders received from the Lord Provost or Convener to carry out the decision.

28. **Changing a Council decision**

28.1 Subject to law, a decision of the Council cannot be changed by the Council within six months unless notice has been given of the proposed item in the summons for the meeting and:

- (a) the Lord Provost rules there has been a material change of circumstances;
or
- (b) the Council agrees the decision was based on erroneous, incorrect or incomplete information.

29. **Referring a decision to Council**

29.1 Subject to Standing Order 28.2, where a decision is taken at the Executive Committees, Governance, Risk & Best Value Committee, Locality Committees or the Regulatory Committee, not less than one quarter of the members present may ask for it to be passed to Council as a recommendation.

29.2 A decision will not be sent to the Council in terms of Standing Order 28.1 where the Convener considers that a final decision must be made before the next

meeting of the Council, in order to avoid material prejudice to the interests of the Council. The Convener will give clear reasons for this decision.

30. **Committee – non member motion**

30.1 Any member may raise with the relevant committee a matter of new business by submitting a motion in writing to the Clerk by noon on the seventh working day before the meeting. If accepted by the Convener the matter will be placed on the agenda of business for the next meeting. The member raising the matter will be entitled to appear at that meeting to move his/her motion, which will require to be seconded by another member, but may not vote unless he/she is a member of the Committee.

31. **Ward or members with special interest**

31.1 A member of the Council who is not a member of a particular committee may be invited by the Convener, or Vice-Convener to attend a meeting where there is under discussion any item in which that member has a local or other special interest. The member will be entitled to speak on that item but may not vote. This Standing Order does not apply to the Regulatory or the Planning Committee or any of their sub-committees.

32. **Freedom of the City**

32.1 Any member of the Council who wishes to propose that the Freedom of the City be offered to any distinguished person will first consult the Lord Provost before submitting any motion to the Council.

32.2 Any motion to give Freedom of the City will be stated in the notice of the meeting of the Council and will need to be passed by at least two thirds of members at the meeting.

33. **Admission of media and members of the public**

33.1 Subject to law and in particular to the provisions of the Local Government (Access to Information) Act 1985, meetings will be open to the public and representatives of the media, subject to powers of exclusion in order to suppress or prevent disorderly conduct or other misbehaviour at the meeting.

Other than the live web casting of Council meetings by the Council, any video or sound recordings or broadcasting of meetings or the taking of any photographs will be at the Lord Provost or Convener's discretion.

34. **Variation and revocation of Standing Orders**

34.1 Any motion to vary or revoke these Standing Orders will, when voted on, be approved by a majority of members of the Council present and voting. Any such motion must be by formal notice as provided in Standing Order 16.

35. **Review of Standing Orders**

35.1 These Standing Orders will be reviewed annually.

APPENDIX 3

CITY OF EDINBURGH COUNCIL

**COMMITTEE TERMS OF REFERENCE
AND
DELEGATED FUNCTIONS**

Contents

A. General	3
1. Delegation to committees	3
2. Reserved Matters	3
3. Committee Membership	4
4. Urgent decisions	4
5. Substitutes	5
6. Convener of Sub-Committee	5
B. Committee terms of reference and delegated powers	6
Executive Committees	6
Other Committees	17
Sub-Committees	33

COMMITTEE TERMS OF REFERENCE AND DELEGATED FUNCTIONS

A. GENERAL

These terms of reference and delegated functions ("**Committee Terms of Reference**") apply from 23 November 2017 and set out the powers delegated by the City of Edinburgh Council ("**Council**") to its committees and sub-committees ("**Committees**") pursuant to the Local Government (Scotland) Act 1973 (the "**Act**").

1. Delegation to Committees

1.1. Subject to law, to the provisions of these Committee Terms of Reference, and to any restriction, direction or instruction of Council, there shall be delegated to the respective Committees all the functions and matters contained in:

- 1.1.1. these Committee Terms of Reference;
- 1.1.2. any scheme made under the Act or statute; and
- 1.1.3. any minute of the Council making specific delegation to the Committee.

2. Reserved matters

2.1. The following matters are reserved to the Council:

- 2.1.1. all functions reserved by law to the Council;
- 2.1.2. determining the strategic objectives of the Council;
- 2.1.3. election of the Leader, Deputy Leader, Lord Provost, Depute Convener and Bailies;
- 2.1.4. appointment of committees of the Council, agreeing and/or amending their terms of reference and delegation of functions to them;
- 2.1.5. deciding the composition of committees of the Council and appointment of members to serve on them, including external members;
- 2.1.6. appointment of members to serve on joint committees, joint boards and any outside body;
- 2.1.7. making, amending, revoking, re-enacting or adopting standing orders and Committee Terms of Reference and Delegated Functions;
- 2.1.8. approving or amending any scheme of delegation to officers;
- 2.1.9. the annual review of the revenue budget and the fixing of council tax;
- 2.1.10. the annual review of the capital investment programme and approval of any capital project with a value exceeding £50,000, not included in the capital investment programme;

- 2.1.11. any material expenditure which is not included in the annual revenue budget;
- 2.1.12. setting of special responsibility allowances;
- 2.1.13. making, amending, revoking, re-enacting or adopting, bye-laws, schemes, regulations or rules made under statute subject to confirmation by Scottish Ministers where applicable;
- 2.1.14. the formal adoption of Local Development Plans;
- 2.1.15. the approval of a Proposed Strategic Development Plan and the delegation of authority to the strategic development planning authority (SESplan);
- 2.1.16. the determination of an application for planning permission for a development of a class mentioned in A38A (i) of the Town and Country Planning (Scotland) Act 1997;
- 2.1.17. appointment and dismissal of the Chief Executive and appointment of a chief official;
- 2.1.18. any decision in relation to any proposal to delegate a power or duty to or accept a delegated power from any other local authority or to co-operate or combine with any other local authority in providing services;
- 2.1.19. promoting or opposing the making of local legislation;
- 2.1.20. creation of Council companies;
- 2.1.21. the preparation and review of the Scheme for Community Councils (Special Meeting);
- 2.1.22. amendments to the Treasury Policy Statement, and
- 2.1.23. approval of the annual Treasury Strategy and annual treasury management performance.

3. Committee Membership

- 3.1 Committee membership will be proportionate according to the elected representation of political parties unless expressly agreed otherwise at a meeting of the full Council.

4. Urgent decisions

- 4.1. If a decision which would normally be made by the Council or a Committee requires to be made urgently between meetings of the Council or Committee, the Chief Executive or appropriate Executive Director, in consultation with the Convener or Vice-Convener, may take action, subject to the matter being reported to the next meeting of the Council or Committee.

5. Substitutes

- 5.1. Where permitted by law and where specified in these Committee Terms of Reference, a member may, subject to paragraph 5.2 below appoint a substitute member from his or her political group to attend a meeting of the committee in his or her place, by email to the Clerk in advance of the meeting.
- 5.2. Any member proposed to be appointed as a substitute must, where specified in these Committee Terms of Reference, have completed the appropriate training for the committee concerned.
- 5.3. The substitute member will be a member of the committee for that meeting and will be entitled to take part in the meeting with the full powers, duties and responsibilities of a member.

6. Convener of Sub-Committee

- 6.1. The Convener of a sub-committee will be appointed by its parent committee.

B. COMMITTEE TERMS OF REFERENCE AND DELEGATED POWERS

Executive Committees

1. Corporate Policy and Strategy Committee

1.1. **Constitution:** 11 Members of the Council including:

- 1.1.1. 3 SNP
- 1.1.2. 3 Conservative
- 1.1.3. 2 Labour
- 1.1.4. 2 Green
- 1.1.5. 1 SLD

Convener and Vice-Convener

- 1.2. The Leader of the Council will be the Convener of the Corporate Policy and Strategy Committee.
- 1.3. The Deputy Leader of the Council will be the Vice-Convener of the Corporate Policy and Strategy Committee.

Quorum

- 1.4. Four members of the Corporate Policy and Strategy Committee will constitute a quorum.

Substitution

- 1.5. Substitutes are permitted.

Delegated functions

- 1.6. Power is delegated to the Corporate Policy and Strategy Committee to:
 - 1.6.1. advise the Council on outcomes, strategic objectives and key priorities;
 - 1.6.2. develop and approve Council policies, including reform, community planning and partnership working;
 - 1.6.3. adopt and implement the management framework for planning, implementing, reporting and reviewing Council service delivery;
 - 1.6.4. ensure the Council meets its statutory responsibilities in terms of best value;
 - 1.6.5. ensure the Council meets its statutory responsibilities in terms of diversity and equalities;
 - 1.6.6. monitor implementation of the Council's business and service development plans, corporate strategies, change programmes, corporate initiatives and service reviews;

- 1.6.7. facilitate and encourage public participation and empowerment ensuring the involvement of citizens, the community, neighbourhood networks, partners and key stakeholders in the committee decision-making process;
- 1.6.8. instruct such performance information as the committee requires to fulfil its remit and monitor overall performance in the delivery of services and the Council's financial performance;
- 1.6.9. set and monitor all relevant grants programmes and award grants;
- 1.6.10. Provide scrutiny of those services delegated to the Integration Joint Board. This should include scrutiny of internal controls, performance, quality and compliance with the law;
- 1.6.11. determine any reviews of community asset transfer requests
- 1.6.12. provide strategic oversight of Edinburgh City Region Deal;
- 1.6.13. advise, agree, scrutinise and review Edinburgh Police and Fire and Rescue Service city-wide plans and performance;
- 1.6.14. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved Petitions procedure and determine the appropriate action;
- 1.6.15. determine differences between committees except where the difference involves a decision on an individual planning or licensing application; and
- 1.6.16. take all decisions which are not reserved to the Council or delegated to another committee of the Council.

2. Culture and Communities Committee

2.1. **Constitution:** 11 members of the Council as follows:

- 2.1.1. 3 SNP
- 2.1.2. 3 Conservative
- 2.1.3. 2 Labour
- 2.1.4. 2 Green
- 2.1.5. 1 SLD

Convener and Vice Convener

2.2. The Convener and Vice Convener will be members of the City of Edinburgh Council.

Quorum

2.3. Four members will constitute a quorum.

Substitution

2.4. Substitutes are permitted.

Delegated functions

2.5. Power is delegated to the Culture and Communities Committee in relation to the matters listed in paragraph 2.6, to:

- 2.5.1. develop and approve policies, strategies, programmes and projects and work with officers, communities and partners to implement them;
- 2.5.2. take all decisions which are not reserved to the Council or delegated to another committee of the Council;
- 2.5.3. set standards for service delivery and secure value for money;
- 2.5.4. set and monitor corporate standards, consider the necessity of existing service provisions and agree new service proposals;
- 2.5.5. monitor performance, including financial, instructing such performance information as the committee requires to fulfil its remit;
- 2.5.6. monitor arrangements to ensure best value and continuous improvement across all services;
- 2.5.7. facilitate and encourage public, engagement, consultation, participation and feedback;
- 2.5.8. set and monitor all relevant grants programmes and award grants;

- 2.5.9. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved Petitions procedure and determine the appropriate action to be taken;
 - 2.5.10. review the impact of the committee's policies on the city
 - 2.5.11. To determine the Council's response to recommendations by the Social Work Complaints Review Committee concerning complaints about adult social work services.
- 2.6. The matters referred to in paragraph 2.5 are as follows:
- 2.6.1. Community Justice;
 - 2.6.2. community safety
 - 2.6.3. health except those matters delegated to another committee or the Integration Joint Board;
 - 2.6.4. Cultural development, festivals and events;
 - 2.6.5. Sport and Recreation;
 - 2.6.6. Arts and museums;
 - 2.6.7. community and locality planning
 - 2.6.8. community empowerment; and
 - 2.6.9. Neighbourhood Partnerships and Community Councils.

3. Education, Children and Families Committee

- 3.1. **Constitution:** 11 members of the Council as follows:

- 3.1.1. 3 SNP
- 3.1.2. 3 Conservative
- 3.1.3. 2 Labour
- 3.1.4. 2 Green
- 3.1.5. 1 SLD

Additional members for education items:

- 3.1.6. 3 Religious Representatives
- 3.1.7. 1 Parent Representative (non-voting)

Convener and Vice Convener

- 3.2. The Convener and Vice Convener will be members of the City of Edinburgh Council.

Quorum

- 3.3. Four members will constitute a quorum except in the case of education business where five members will constitute a quorum.

Substitution

- 3.4. Substitutes are permitted for all members of the Council.

Delegated functions

- 3.5. Power is delegated to the Education, Children and Families Committee to:
 - 3.5.1. exercise all the functions of the Council as education authority (education business), within the terms of the relevant legislation; and
 - 3.5.2. exercise the functions as social work authority, within the terms of the relevant legislation, in relation to children.
- 3.6. In addition, in relation to the matters listed in paragraph 3.7, to:
 - 3.6.1. develop and approve policies, strategies, programmes and projects and work with officers, communities and partners to implement them;
 - 3.6.2. take all decisions which are not reserved to the Council or delegated to another committee of the Council;
 - 3.6.3. set standards for service delivery and secure value for money;
 - 3.6.4. set and monitor corporate standards, consider the necessity of existing service provisions and agree new service proposals.
 - 3.6.5. monitor performance, including financial, instructing such performance information as the committee requires to fulfil its remit;
 - 3.6.6. monitor arrangements to ensure best value and continuous improvement across all services;
 - 3.6.7. facilitate and encourage public, engagement, consultation, participation and feedback;
 - 3.6.8. set and monitor all relevant grants programmes and award grants;
 - 3.6.9. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved Petitions procedure and determine the appropriate action; and
 - 3.6.10. review the impact of the committee's policies on the city.
 - 3.6.11. To determine the Council's response to recommendations by the Social Work Complaints Review Committee concerning complaints about children and young people social work services.
- 3.7. The matters referred to in paragraph 3.6 are as follows:
 - 3.7.1. the Council's education, children and families services;
 - 3.7.2. Lifelong Learning and Libraries; and
 - 3.7.3. major capital programmes or projects implementation, asset planning and facilities management for the Council's education, children and families services.

4. Finance and Resources Committee

4.1. **Constitution:** 11 members of the Council as follows:

- 4.1.1. 3 SNP
- 4.1.2. 3 Conservative
- 4.1.3. 2 Labour
- 4.1.4. 2 Green
- 4.1.5. 1 SLD

Convener and Vice Convener

4.2. The Convener and Vice Convener will be members of the City of Edinburgh Council.

Quorum

4.3. Four members will constitute a quorum.

Substitution

4.4. Substitutes are permitted.

Delegated functions

4.5. Power is delegated to the Finance and Resources Committee in relation to matters listed in paragraph 4.6 to:

- 4.5.1. develop and approve policies, strategies, programmes and projects and work with officers, communities and partners to implement them;
- 4.5.2. take all decisions which are not reserved to the Council or delegated to another committee of the Council;
- 4.5.3. set standards for service delivery and secure value for money;
- 4.5.4. set and monitor corporate standards, consider the necessity of existing service provisions and agree new service proposals;
- 4.5.5. monitor performance, including financial, instructing such performance information as the committee requires to fulfil its remit;
- 4.5.6. monitor arrangements to ensure best value and continuous improvement across all services;
- 4.5.7. facilitate and encourage public engagement, consultation, participation and feedback;
- 4.5.8. set and monitor all relevant grants programmes and award grants;
- 4.5.9. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved

Petitions procedure and determine the appropriate action to be taken;
and

4.5.10. review the impact of the committee's policies on the city.

4.6. The matters referred to in paragraph 4.5 are as follows:

4.6.1. Council's revenue and capital budgets;

4.6.2. Council's expenditure and budget policy;

4.6.3. Monitoring the Council's Treasury Management policies and practices;

4.6.4. Council's long term financial plan;

4.6.5. Procurement and contracts;

4.6.6. monitoring of Council debt and debt recovery;

4.6.7. Common Good Fund;

4.6.8. human resources;

4.6.9. ICT

4.6.10. Disposal and development of Council owned property and land transactions;

4.6.11. All charitable and other trust funds vested in the Council except where the Council has expressly made other arrangements.

5. Housing and Economy Committee

5.1. **Constitution:** 11 members of the Council as follows:

5.1.1. 3 SNP

5.1.2. 3 Conservative

5.1.3. 2 Labour

5.1.4. 2 Green

5.1.5. 1 SLD

Convener and Vice Convener

5.2. The Convener and Vice Convener will be members of the City of Edinburgh Council.

Quorum

5.3. Four members will constitute a quorum.

Substitution

- 5.4. Substitutes are permitted.

Delegated functions

- 5.5. Power is delegated to the Housing and Economy Committee in relation to matters listed in paragraph 5.6 to:
- 5.5.1. develop and approve policies, strategies, programmes and projects and work with officers, communities and partners to implement them;
 - 5.5.2. take all decisions which are not reserved to the Council or delegated to another committee of the Council;
 - 5.5.3. set standards for service delivery and secure value for money;
 - 5.5.4. set and monitor corporate standards, consider the necessity of existing service provisions and agree new service proposals;
 - 5.5.5. monitor performance, including financial, instructing such performance information as the committee requires to fulfil its remit;
 - 5.5.6. monitor arrangements to ensure best value and continuous improvement across all services;
 - 5.5.7. facilitate and encourage public, engagement, consultation, participation and feedback;
 - 5.5.8. set and monitor all relevant grants programmes and award grants
 - 5.5.9. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved Petitions procedure and determine the appropriate action to be taken;
 - 5.5.10. review the impact of the committee's policies on the city.
- 5.6. The matters referred to in paragraph 5.5 are as follows:
- 5.6.1. Housing;
 - 5.6.2. Homelessness and housing support;
 - 5.6.3. Economic Development;
 - 5.6.4. Strategic development, including the Local Development Plan;
 - 5.6.5. External relations and inward investment; and
 - 5.6.6. Inclusive growth.

6. Transport and Environment Committee

6.1. **Constitution:** 11 members of the Council as follows:

- 6.1.1. 3 SNP
- 6.1.2. 3 Conservative
- 6.1.3. 2 Labour
- 6.1.4. 2 Green
- 6.1.5. 1 SLD

Convener and Vice Convener

6.2. The Convener and Vice Convener will be members of the City of Edinburgh Council.

Quorum

6.3. Four members will constitute a quorum.

Substitution

6.4. Substitutes are permitted.

Delegated functions

6.5. Power is delegated to the Transport and Environment Committee in relation to the matters listed in paragraph 6.6, to:

- 6.5.1. develop and approve policies, strategies, programmes and projects and work with officers, communities and partners to implement them;
- 6.5.2. take all decisions which are not reserved to the Council or delegated to another committee of the Council or officers;
- 6.5.3. set standards for service delivery and secure value for money;
- 6.5.4. set and monitor corporate standards, consider the necessity of existing service provisions and agree new service proposals;
- 6.5.5. monitor performance, including financial, instructing such performance information as the committee requires to fulfil its remit;
- 6.5.6. monitor arrangements to ensure best value and continuous improvement across all services;
- 6.5.7. facilitate and encourage public, engagement, consultation, participation and feedback;
- 6.5.8. set and monitor all relevant grants programmes and award grants;

- 6.5.9. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved Petitions procedure and determine the appropriate action to be taken;
 - 6.5.10. review the impact of the committee's policies on the city.
- 6.6. The matters referred to in paragraph 6.5 are as follows:
- 6.6.1. Strategic Transport Planning;
 - 6.6.2. Traffic management, roads and parking;
 - 6.6.3. Public transport;
 - 6.6.4. Public Realm Projects;
 - 6.6.5. Sustainability, carbon reduction and energy issues;
 - 6.6.6. Flood prevention;
 - 6.6.7. Waste services;
 - 6.6.8. Environmental health and trading standards;
 - 6.6.9. Parks and green space; and
 - 6.6.10. Street cleaning and open space maintenance.

7. Governance, Risk and Best Value Committee

- 7.1. **Constitution:** 11 members of the Council as follows:

- 7.1.1. 3 SNP
- 7.1.2. 3 Conservative
- 7.1.3. 2 Labour
- 7.1.4. 2 Green
- 7.1.5. 1 SLD

Convener

- 7.2. The Convener and Vice-Convener of the committee will be members of the opposition.

Quorum

- 7.3. Four members of the Governance, Risk and Best Value Committee will constitute a quorum.

Substitution

- 7.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Chief Executive.

Delegated functions

- 7.5. Power is delegated to the Governance, Risk and Best Value Committee to exercise the following functions:
- 7.5.1. To monitor the financial performance of the Council and its subsidiary undertakings, the effectiveness of the Council's audit and inspection, risk management and governance arrangements and of the control

environment of the Council and associated anti-fraud and anti-corruption arrangements; including:

7.5.2. Scrutinising information on:

(a) Council Budgets;

(b) Management of Council assets;

(c) The Council's Treasury Management strategy and policies;

(d) Control, monitoring and review of income and expenditure, both revenue and capital;

(e) Council subsidiaries;

(f) Council Companies (excluding those associated with the pension fund);

(g) Children's Panel; and

(h) Common Good Fund.

7.5.3. Monitoring the annual audit plan and reviewing all Council audit and inspection work against the plan.

7.5.4. Receiving and considering summaries of internal and external audit reports which relate to any issue falling within the remit of this committee.

7.5.5. Monitoring internal controls, corporate risk management and key operational governance areas.

7.6. Scrutiny on a specific issue should follow a committee decision.

7.7. To instruct a report on any matter within the remit of an executive committee but where a decision is yet to be taken; the report as instructed will initially be considered by the executive committee.

7.8. Referring back to the appropriate Executive Committee for its consideration any financial performance issue, which might have implications for policy development within the remit of the Executive Committee

7.9. To scrutinise the operational performance of all council services and Council subsidiaries in relation to the Council's agreed pledges, outcomes, policy objectives and statutory performance targets, including:

7.9.1. considering information that relate to issues falling within the remit of Council services, including complaints handling, customer care and ombudsman reports;

- 7.9.2. monitoring employment, organisational development and equalities issues as they relate to the operation of the council corporately and to its individual services; and
- 7.9.3. scrutinising major projects and programmes, service reviews and transformational change.
- 7.10. To invite Conveners or Vice-Conveners to attend committee, and where appropriate, to question and hold them to account on the operational or financial performance of any service area falling within their remit.
- 7.11. To refer back to the appropriate Executive Committee for its consideration any service performance issues that might have implications for policy development coming within the remit of the Executive Committee
- 7.12. To initiate and undertake planned scrutiny reviews of any matter falling within the remit of this committee or specific scrutiny reviews requested by an Executive Committee.
- 7.13. To promote the observance by Councillors of high standards of conduct and assist them in observing the code of conduct, in accordance with any guidance issued by the Standards Commission for Scotland.
- 7.14. To report, as required, on any matter within the committee's remit to Council.

Other Committees

8. Committee on Discretionary Rating Relief Appeals

- 8.1. **Constitution:** 5 members of the Council as follows:

- 8.1.1. 2 SNP
- 8.1.2. 1 Conservative
- 8.1.3. 1 Labour
- 8.1.4. 1 Green

Convener

- 8.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

- 8.3. Two members of the Committee on Discretionary Rating Relief Appeals will constitute a quorum

Substitution

- 8.4. Substitutes are permitted.

Delegated functions

- 8.5. Power is delegated to the Committee on Discretionary Rating Relief Appeals:

- 8.5.1. To review decisions taken by the Executive Director of Resources to refuse discretionary rating relief;
- 8.5.2. To consider representations from organisations or individuals, justifying the granting of discretionary rating relief to them;
- 8.5.3. To decide whether or not to grant discretionary rating relief as a result of considering the organisation's or individual's representations; and
- 8.5.4. To decide what, if any, conditions should be fulfilled prior to discretionary rating relief being granted.

9. Leadership Advisory Panel

- 9.1. **Constitution:** 5 members of the Council as follows:

- 9.1.1. Leader of the Council
- 9.1.2. Deputy Leader of the Council
- 9.1.3. Conservative Group Leader
- 9.1.4. Green Group Leader
- 9.1.5. Scottish Liberal Democrat Group Leader
- 9.1.6. three statutory representatives, appointed by the Education, Children and Families Committee when considering education business

Convener

- 9.2. The Convener of the Committee will be the Leader of the Council.

Quorum

- 9.3. Two members of the Leadership Advisory Panel will constitute a quorum except on education business when the quorum will be three members.

Substitution

- 9.4. Substitutes are permitted for members of the Council only

Delegated functions

- 9.5. Power is delegated to the Leadership Advisory Panel:
 - 9.5.1. To decide any matter of urgency arising during any recess period, subject to the provision of any relevant enactment, to exercise all functions of the Council or Committee, which would otherwise have dealt with the matter that:
 - (a) can not await the resumption of the normal meetings timetable; and
 - (b) can not appropriately be decided by the Chief Executive or Executive Director in accordance with urgency provisions within these Committee Terms of Reference.

10. Locality Committees

10.1. **Constitution:** all elected members situated in the locality area

Convener

10.2. The convener and vice-convener will be a member of the City of Edinburgh Council and will be appointed by the committee annually. It will be usual practice for a member to serve for a maximum of one year as convener in each Council term.

Quorum

10.3. North East - 5 elected members

10.4. North West – 6 elected members

10.5. South East - 6 elected members

10.6. South West – 5 elected members

Substitutes

10.7. Substitutes are not permitted.

Delegated Functions

10.8. Power is delegated to the locality committees in relation to the matter listed in paragraph 10.9 to:

10.8.1. Develop and approve plans, programmes and projects;

10.8.2. Set and monitor local standards;

10.8.3. Monitor performance, providing local insight to advise how performance could be improved to meet local needs;

10.8.4. Monitor arrangements to ensure best value and continuous improvement;
and

10.8.5. consider petitions addressed to the City of Edinburgh Council on matters within the remit of committee, in accordance with the Council's approved Petitions procedure and determine the appropriate action.

10.9. The matters referred to in Paragraph 10.8 are as follows:

10.9.1. Community safety

10.9.2. Lifelong Learning and Libraries

10.9.3. Traffic management, roads and parking;

10.9.4. Parks and green space;

10.9.5. Street cleaning and open space maintenance;

- 10.9.6. Public realm projects;
- 10.10. All matters referred to in paragraphs 10.8 and 10.9 are subject to the following:
- 10.10.1. Decisions must be within policy and budget set by Council, executive committees and planning and regulatory committees.
 - 10.10.2. The matter must not have a strategic or city-wide impact.
- 10.11. To approve and agree the Neighbourhood Environment Programme and Community Grants Fund.
- 10.12. To refer back to the executive committees and planning and regulatory committees for their consideration any recommendations of proposed policy or service improvements that have a city-wide or strategic impact.
- 10.13. To scrutinise Council services but ensuring duplication of scrutiny with other Council committees is avoided;
- 10.14. In regard to police and fire services in the locality, to:
- 10.14.1. Consider and recommend improvements in local policing and fire and rescue services.
 - 10.14.2. recommend priorities and objectives for the policing of the area to the local commander;
 - 10.14.3. scrutinise and review the outcomes, priorities and objectives set out in the local plan(s);
 - 10.14.4. consider and monitor progress and performance on the implementation of the Edinburgh Police and Fire and Rescue Plans and services;
 - 10.14.5. receive statistical reports on complaints about policing and fire and rescue in Edinburgh; and
 - 10.14.6. invite external witnesses to aid in the scrutiny of police and fire and rescue services.
- 10.15. To scrutinise the performance of health and social care services in the local area and provide recommendations or feedback to the Integration Joint Board.
- 10.16. To scrutinise and oversee the delivery of Council services in the Locality Improvement Plans.
- 10.17. To facilitate and encourage public engagement, consultation, participation and feedback on the areas within the committee's remit.
- 10.18. To lead participatory budgeting within the locality on funds allocated by Council or committee, and to actively shape the Council's participatory budgeting framework

- 10.19. To decide whether Neighbourhood Partnerships or their equivalent should continue within their locality as advisory groups on local issues and spending priorities.

11. Planning Committee

- 11.1. **Constitution:** 11 members of the Council as follows:

- 11.1.1. 3 SNP
- 11.1.2. 3 Conservative
- 11.1.3. 2 Labour
- 11.1.4. 2 Green
- 11.1.5. 1 SLD

Convener

- 11.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

- 11.3. Four members of the Planning Committee will constitute a quorum.

Substitution

- 11.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Chief Planning Officer.

Delegated functions

- 11.5. Power is delegated to the Planning Committee:

- 11.5.1. To exercise the functions of the Council as planning and statutory addressing authority and to determine planning policies;
- 11.5.2. To express and interpret these policies as specific tasks and projects and set service standards;
- 11.5.3. To review performance in the delivery of services, the achievement of service standards and the impact of the Committee's activities on the City;
- 11.5.4. To conduct relations with external bodies relevant to the Committee's service responsibilities, including approval of a response to proposals by other authorities or bodies on which the Council is being consulted;
- 11.5.5. To refer to the Corporate Policy and Strategy Committee, prior to consideration by the Planning Committee, an annual report on the performance and customer focus of the planning process and its contribution to broader council agendas;
- 11.5.6. To appoint representatives on outside bodies relevant to the committee's service responsibilities;

- 11.5.7. To take decisions in pursuit of the committee's policies, subject to compliance with corporate personnel and financial policies and regulations;
- 11.5.8. To determine any charges for services provided by the committee; and
- 11.5.9. To provide financial assistance, in pursuit of the committee's policies.

12. Pensions Committee

12.1. **Constitution:** 5 members of the Council as follows:

- 12.1.1. 2 SNP
- 12.1.2. 1 Conservative
- 12.1.3. 1 Labour
- 12.1.4. 1 Green
- 12.1.5. 2 external members nominated by the Lothian Pension Funds Consultative Panel, 1 employer and 1 member representative.

Convener

12.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

12.3. Three members of the Pensions Committee will constitute a quorum.

Substitution

12.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Executive Director of Resources.

Delegated functions

12.5. Power is delegated to the Pensions Committee to:

- 12.5.1. exercise all functions of the pension funds, within the terms of the legislation;
- 12.5.2. determine the overall policy objectives of the pension funds in accordance with the best interests of fund members and with relevant legislation;
- 12.5.3. determine the strategy for the investment of pension funds monies including the variety and suitability of investments and to review and monitor investment arrangements;
- 12.5.4. ensure appropriate investment management arrangements are in place for pension funds monies and to review investment manager performance;

- 12.5.5. establish and maintain arrangements for the effective management and administration of the pension funds including staffing and budgetary arrangements.
 - 12.5.6. approve the allocation of resources to the Investment and Pensions Division from the Revenue Budget and Capital Investment Programme of the pension funds;
 - 12.5.7. approve responses to consultation papers issued by government and other authorities; and
- 12.6. monitor overall performance of the pension funds in the delivery of services and financial performance, consider all matters in respect of the pension funds including:
- 12.6.1. determining policies for the management and regulation of the Investment and Pensions Division within the strategic policy and planning framework approved by the Council;
 - 12.6.2. approving strategies, programmes and projects and work with officers and partners to implement them;
 - 12.6.3. setting standards for service delivery;
 - 12.6.4. securing best value in the provision of services;
 - 12.6.5. taking all executive decisions in respect of the pension funds which are not reserved to the Council or delegated to another committee of the Council;
 - 12.6.6. ensuring systematic appraisal of the control environment and framework of internal controls in respect of the Investment and Pensions Division to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations;
 - 12.6.7. promoting the development of an appropriate risk management strategy and risk management procedures;
 - 12.6.8. ensuring highest standards of probity and public accountability;
 - 12.6.9. ensuring sound financial procedures are in place for authorising and monitoring expenditure;
 - 12.6.10. agreeing internal audit plans and to ensure internal audit work is properly planned with due regard to risk, materiality and coverage;
 - 12.6.11. overseeing and review action taken on internal audit recommendations;
 - 12.6.12. reviewing all matters relating to external audit, including audit plan, action points and reports, and to monitor implementation of external audit recommendations; and

12.6.13. promoting, monitoring and developing continuous improvement.

13. Personnel Appeals Committee

13.1. **Constitution:** 9 members of the Council as follows:

- 13.1.1. 3 SNP
- 13.1.2. 2 Conservative
- 13.1.3. 2 Labour
- 13.1.4. 1 Green
- 13.1.5. 1 Scottish Liberal Democrat

Convener

13.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

13.3. Three members of the Personnel Appeals Committee will constitute a quorum.

Substitution

13.4. Substitutes are permitted.

Delegated functions

13.5. Power is delegated to the Personnel Appeals Committee to:

- 13.5.1. hear and decide appeals on a decision taken, or a failure to take a decision, by an Executive Director, or his/her nominee, under the Procedures for Hearing Employee Grievances.
- 13.5.2. hear and decide appeals to a decision to:
 - 13.5.2.1. dismiss or take other forms of punitive disciplinary action; and
 - 13.5.2.2. issue a warning, oral or written under the Procedure for Consideration of Appeals by Executive Directors against Disciplinary Action and the Procedure for Consideration of Appeals against Disciplinary Action.
- 13.5.3. hear and decide disputes under the Avoidance of Industrial Disputes Procedure.
- 13.5.4. decide appeals from teaching staff in regard to the application and interpretation of the terms of the Scheme of Salaries and Conditions of Service for Teaching Staff in School Education.

14. Placing in Schools Appeals Committee

- 14.1. **Constitution:** One person from each of the following panels:
- 14.2. Panel 1: All members of Council and religious representatives on the Education, Children and Families Committee.
- 14.3. Panel 2: Parents of children of school ages.
- 14.4. Panel 3: Persons with experience in education and acquainted with educational conditions in the Council's area, nominated by the Executive Director of Communities and Families.

Chair

- 14.5. Each meeting appoints a Chair.

Quorum

- 14.6. Three members of the Placing in Schools Appeals Committee will constitute a quorum.

Substitution

- 14.7. Substitutes are only permitted from the same Panel.

Delegated functions:

- 14.8. Power is delegated to the Placing in Schools Appeals Committee:
- 14.8.1. To hear and decide appeals against decisions of the Council to refuse placing requests and exclude pupils all in terms of Section 28 C, D, E, G and H of the Education (Scotland) Act 1980 as amended; and
- 14.8.2. To consider appeals against decisions by the Executive Director of Communities and Families to refuse early admission to school.

15. Committee on Pupil Student Support

- 15.1. **Constitution:** 5 members of the Council as follows:
- 15.1.1. 2 SNP
- 15.1.2. 1 Conservative
- 15.1.3. 1 Labour
- 15.1.4. 1 Green
- 15.1.5. 1 religious representative from the Education, Children and Families Committee

Convener

- 15.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

- 15.3. Two members of the Committee on Pupil and Student Support will constitute a quorum.

Substitution

- 15.4. Substitutes are permitted.

Delegated functions:

- 15.5. To consider school placing requests, and decide the priority order of placing requests.

16. Recruitment Committee

- 16.1. **Constitution:** 7 members of the Council as follows:

- 16.1.1. Leader of Council
- 16.1.2. Deputy Leader of the Council
- 16.1.3. Convener of the Finance and Resources Committee
- 16.1.4. Appropriate Convener or Vice-Convener for the role
- 16.1.5. A representative from each of the opposition groups

Convener

- 16.2. The Convener of the committee will be the Leader of the Council.

Quorum

- 16.3. Three members of the Recruitment Committee will constitute a quorum.

Substitution

- 16.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Chief Executive and in line with the relevant Council policy.

Delegated functions

- 16.5. Power is delegated to the Recruitment Committee to short list and interview candidates and recommend an appointment to the Council for posts at Chief Executive, Executive Director and Heads of Service Division level (Chief Officials).

17. Regulatory Committee

- 17.1. **Constitution:** 9 members of the Council as follows:

- 17.1.1. 3 SNP
- 17.1.2. 2 Conservative
- 17.1.3. 2 Labour
- 17.1.4. 1 Green
- 17.1.5. 1 Scottish Liberal Democrat

Convener

- 17.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

- 17.3. Four members will constitute a quorum.

Substitution

- 17.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Chief Executive.

Delegated functions

- 17.5. Power is delegated to the Regulatory Committee to:
- 17.5.1. exercise the functions of the Council as Licensing authority under the Civic Government (Scotland) Act 1982 and other statutory provisions which are not within the remit of any other Committee.
 - 17.5.2. exercise the functions of the Council on all licensing functions which are not reserved to the Council, its officers or delegated to another Committee.
 - 17.5.3. determine individual applications for registration and licences under the Civic Government (Scotland) Act and other statutory provisions which are not delegated to officers, in accordance with approved policies.
 - 17.5.4. express and interpret licensing policies as specific projects, to set service standards and monitor performance in the delivery of services including financial performance relating to Regulatory Committee matters.
 - 17.5.5. liaise with external bodies relevant to the Committee's service area, considering and approving responses to consultation proposals.
 - 17.5.6. appoint representatives to outside bodies within the Committee's remit.
 - 17.5.7. approve charges as required by statute and determine licence fees.
 - 17.5.8. determine applications for road construction consent which are not delegated to the Executive Director of Place.
 - 17.5.9. determine applications for permission to place tables and chairs on footways which are recommended for refusal by the Executive Director of Place.
 - 17.5.10. exercise the Council's responsibilities in respect of safety at sports grounds.
 - 17.5.11. exercise the Council's functions regarding notification of parades and processions so far as not delegated to officers.

18. Social Work Complaints Review Committee

Constitution:

- 18.1. All trained members, other than members of the Education, Children and Families and the Culture and Communities; independent members appointed by Council.

Convener

- 18.2. Each meeting appoints a Convener, who should be an independent member.

Quorum

- 18.3. Any three members from the membership appointed by the Council, at least two of whom should be independent members.

Substitution

- 18.4. Substitutes are permitted.

Delegated functions

- 18.5. Power is delegated to the Social Work Complaints Review Committee to consider complaints with regard to the discharge of social work functions and make recommendations to the Education, Children and Families Committee or Culture and Communities Committee as appropriate.

19. The City of Edinburgh Planning Local Review Body

- 19.1. **Constitution:** 5 members of the Council as follows:

- 19.1.1. Any five members who are also members of the Planning Committee but not the Convener of the Planning Committee.

Convener

- 19.2. Each meeting appoints a Convener.

Quorum

- 19.3. Three members of the City of Edinburgh Planning Review Body will constitute a quorum.

Substitution

- 19.4. Substitutes are only permitted from the pool of trained members of the Planning Committee.

Delegated functions:

- 19.5. Power is delegated to the City of Edinburgh Planning Local Review Body to fulfil the obligations of the Council, as planning authority, under section 43A of the Town and County Planning (Scotland) Act 1997 for the conduct of reviews.

20. Committee on the Jean F Watson Bequest

- 20.1. **Constitution:** 8 members of the council as follows:

- 20.1.1. 2 SNP
- 20.1.2. 2 Conservative
- 20.1.3. 2 Labour
- 20.1.4. 1 Green
- 20.1.5. 1 Scottish Liberal Democrat
- 20.1.6. one nominee of Friends of City Art Centre
- 20.1.7. two external members appointed by the Executive Director of Resources, in consultation with the Convener.

Convener

- 20.2. The Convener of the Committee will be a member of the City of Edinburgh Council.

Quorum

- 20.3. Four members of the Committee on the Jean F Watson Bequest will constitute a quorum.

Substitution

- 20.4. Substitutes are permitted.

Delegated functions:

- 20.5. Power is delegated to the Committee on the Jean F Watson Bequest to:

- 20.5.1. Use 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.
- 20.5.2. Use monies from the Catherine E Cowper Trust to purchase and commission items for the Museum of Childhood; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries.

21. Neighbourhood Partnerships

21.1. **Constitution:** Membership of each Neighbourhood Partnership should include:

- 21.1.1. Councillors from the ward or wards which make up the Neighbourhood Partnership area;
- 21.1.2. a representative from Police Scotland;
- 21.1.3. a representative from the Scottish Fire and Rescue Service;
- 21.1.4. a representative from NHS Lothian;
- 21.1.5. representatives from Community Councils (from the Neighbourhood Partnership area), or representatives from another properly constituted community organisation in the area should there be no Community Council;
- 21.1.6. a voluntary agency representative (from the Neighbourhood Partnership area);
- 21.1.7. representatives from other bodies able to make a specific contribution may be invited to participate by the Partnership; and
- 21.1.8. Neighbourhood Partnerships may invite other individuals and/or representatives of other public, private or voluntary organisations with expertise or interest in their area, either as regular participants or for a specific issue. These other individuals will not have voting rights.

21.2. There will be an equal number of Councillors and Community Council representatives

Convener and Vice-Conveners

21.3. The Convener will be a member of the City of Edinburgh Council

Quorum

21.4. Subject to law the quorum of a Neighbourhood Partnership will be one third of the number of voting members of the Neighbourhood Partnership. In no case will any business be transacted unless at least two voting members are present.

Substitution

21.5. Substitutes are permitted.

Delegated functions

21.6. Power is delegated to the Neighbourhood Partnerships:

- 21.6.1. to make recommendations to the relevant Locality manager on the services planned and/or delivered within that Neighbourhood Partnership area;
- 21.6.2. to refer to the Culture and Communities Committee for consideration any financial or performance issue which might have implications for the policy or programme development within the remit of that Committee;

- 21.6.3. To report, as required, on any matter within the Neighbourhood Partnership's remit to the Culture and Communities Committee;
- 21.6.4. To create sub-groups as necessary to advise the Neighbourhood Partnership;
- 21.6.5. To refer back to Council, the appropriate Executive Committee, executive director, directorate, partner authority or organisation guidance or feedback on the exercise of functions delegated to them; and
- 21.6.6. Each Neighbourhood Partnership shall submit to the Culture and Communities Committee and the Edinburgh Partnership an annual report on progress that must include details of performance for the year past and a financial report covering the same period.

Sub-Committees

22. Development Management Sub-Committee (Parent: Planning Committee)

22.1. **Constitution:** All 11 members of the Planning Committee, as follows: -

- 22.1.1. 3 SNP
- 22.1.2. 3 Conservative
- 22.1.3. 2 Labour
- 22.1.4. 2 Green
- 22.1.5. 1 Scottish Liberal Democrat

Convener

22.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

22.3. Four members of the Development Management Sub-Committee will constitute a quorum.

Substitution

22.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Chief Planning Officer.

Delegated Functions

22.5. To discharge all functions of Management of Development Control required under the Planning Acts including the determination of planning applications (except for applications for National Developments and major developments significantly contrary to the Development Plan which require to be determined by full Council, or applications under the Council's Scheme of Delegation for Local Developments).

22.6. To determine applications for High Hedge Notices and withdraw or vary such notices as prescribed under the High Hedges (Scotland) Act 2013.

22.7. To determine cases for street naming and the numbering of properties.

23. Licensing Sub-Committee (Parent: Regulatory Committee)

23.1. **Constitution:** 9 members of the Council as follows:

- 23.1.1. 3 SNP
- 23.1.2. 2 Conservative
- 23.1.3. 2 Labour
- 23.1.4. 1 Green
- 23.1.5. 1 Scottish Liberal Democrat

Convener

- 23.2. The Convener of the Licensing Sub-Committee is the Convener of the Regulatory Committee.

Quorum

- 23.3. Three members constitute a quorum.

Substitution

- 23.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Chief Executive.

Delegated functions:

- 23.5. Power is delegated to the Licensing Sub-Committee to:
- 23.5.1. exercise the functions of the Council as Licensing authority under the Civic Government (Scotland) Act 1982 and other statutory provisions which are not within the remit of any other Committee;
 - 23.5.2. exercise the functions of the Council on all licensing functions which are not reserved to the Council, its officers or delegated to another Committee;
 - 23.5.3. determine individual applications for registration and licences under the Civic Government (Scotland) Act and other statutory provisions which are not delegated to officers, in accordance with approved policies;
 - 23.5.4. determine applications for road construction consent not delegated to the Executive Director of Place;
 - 23.5.5. determine applications for permission to place tables and chairs on footways recommended for refusal by the Executive Director of Place;
 - 23.5.6. exercise the Council's responsibilities in respect of safety at sports grounds; and
 - 23.5.7. exercise the Council's functions regarding notification of parades and processions so far as not delegated to officers.

24. Pensions Audit Sub-Committee (Parent: Pensions Committee)

Constitution

- 24.1. Three members from the Pensions Committee of which a minimum are two City of Edinburgh elected members.

Quorum

- 24.2. Two members of the Pensions Audit Sub Committee will constitute a quorum.

Convener

- 24.3. The Convener of the Pensions Audit Sub-Committee will be appointed from the membership of the Pensions Committee, excluding the Convener of that committee.

Substitution

- 24.4. Substitutes are permitted from members of the Council who have undertaken and completed appropriate training specified by the Executive Director of Resources.

Delegated functions

- 24.5. Power is delegated to the Pensions Audit Sub-Committee to consider and make appropriate recommendation(s) to the Pensions Committee:
- 24.5.1. To ensure systematic appraisal of the control environment and framework of internal control of pension funds to provide reasonable assurance of the effective and efficient operations and compliance with laws and regulations;
 - 24.5.2. To promote the development of an appropriate risk management strategy and risk management procedures;
 - 24.5.3. To ensure the highest standards of probity and public accountability;
 - 24.5.4. To ensure sound financial procedures are in place for authorising and monitoring expenditure;
 - 24.5.5. To consider and scrutinise an annual report on any companies owned by the Council that are connected to the activities of the Pension Fund;
 - 24.5.6. To review the annual financial statements of the pension funds [and the International Standard on Auditing 260 (ISA 260) communication of audit matters];
 - 24.5.7. To agree internal audit plans and to ensure that internal audit work is planned with due regard to risk, materiality and coverage;
 - 24.5.8. To oversee in light of the audit plan the performance of the audit service;
 - 24.5.9. To oversee and review action taken on internal audit recommendations; and
 - 24.5.10. To review all matters relating to external audit, including audit planning, action points and reports, and to monitor the implementation of external audit recommendations.

25. Property Sub-Committee (Parent: Finance and Resources Committee)

25.1. **Constitution:** 10 members of the Council as follows:

- 25.1.1. 3 SNP
- 25.1.2. 3 Conservative
- 25.1.3. 2 Labour
- 25.1.4. 1 Green
- 25.1.5. 1 SLD

Convener

25.2. The Convener will be a member of the City of Edinburgh Council.

Quorum

25.3. Four members of the Property Sub-Committee will constitute a quorum.

Substitution

25.4. Substitutes are permitted.

Delegated functions:

25.5. Power is delegated to the Property Sub-Committee to:

- 25.5.1. oversee the work of the Edinburgh Shared Repairs Service;
- 25.5.2. to take decisions in relation to the Council's Shared Repair Service that fall within the remit of the Finance and Resources Committee in relation to financial and legal risks; and
- 25.5.3. consider any outstanding issues that require detailed scrutiny in relation to the closure of the Property Conservation Programme Momentum project.

26. Special Sub-Committee on Adult Social Care (Parent: Culture and Communities Committee)

26.1. **Constitution:** 5 members of the Council as follows:

- 26.1.1. 1 Labour
- 26.1.2. 1 SNP
- 26.1.3. 1 Conservative
- 26.1.4. 1 Green
- 26.1.5. 1 SLD

Convener

26.2. The parent committee appoints the Convener.

Quorum

26.3. Two members of the Special Sub-Committee on Adult Social Care will constitute a quorum.

Substitution

- 26.4. Substitutes are permitted.

Delegated functions

- 26.5. Power is delegated to the Special Sub-Committee on Adult Social Care to:
- 26.5.1. maintain an overview of the quality of social work experience for Edinburgh's citizens by considering reports of HMI, SWIA, and Care Commission inspections and internal reviews of health and social care establishments and services, and action taken;
 - 26.5.2. monitor the implementation of new initiatives relating to quality;
 - 26.5.3. maintain an overview of the implementation of national and local policies.
 - 26.5.4. address issues relating to the work of services which arise during the course of the business of the sub-committee and make recommendations to the Culture and Communities Committee;
 - 26.5.5. celebrate the success of services, including identification of examples of good practice; and
 - 26.5.6. provide a high quality experience for officers and sub-committee members by adopting an agreed set of protocols for the conduct of Special Sub-Committees.

27. Sub-Committee on Standards for Children and Families (Parent: Education, Children and Families Committee)

- 27.1. **Constitution:** 9 Members in total comprising of 1 religious representative and 8 Members of the Council as follows:
- 27.1.1. 3 SNP
 - 27.1.2. 2 Conservative
 - 27.1.3. 2 Labour
 - 27.1.4. 1 Green
 - 27.1.5. 1 Scottish Liberal Democrat

Convener

- 27.2. The parent committee will appoint the convener.

Quorum

- 27.3. Three members will constitute a quorum.

Substitution

27.4. Substitutes are permitted.

Delegated functions

27.5. Power is delegated to the Sub-Committee on Standards for Children and Families to:

- 27.5.1. Provide oversight of the quality of education and care experiences for young people in the City of Edinburgh by scrutinising the reports and follow up actions of Education Scotland inspections in schools;
- 27.5.2. Consider an annual report on Care Inspectorate inspections in early years provision;
- 27.5.3. Consider individual reports on Care Inspectorate inspections in residential schools, care services for children and local authority reviews of service areas, establishments and units;
- 27.5.4. Monitor the implementation of initiatives relating to quality improvement and assurance, and attainment and achievement;
- 27.5.5. Maintain an overview of the implementation of national and local policies specifically related to quality standards by officers, establishments and services;
- 27.5.6. Contribute to the support and challenge agenda within the context of establishment plans; and
- 27.5.7. Celebrate the success of establishments, units, teams and the service including recognising items of good practice.

APPENDIX 4

**CITY OF EDINBURGH COUNCIL
SCHEME OF DELEGATION TO
OFFICERS**

Contents

	<u>Page</u>
1. GENERAL	4
Scheme	4
Principles of delegation	5
2. CONSULTATION WITH ELECTED MEMBERS	6
Politically controversial matters and material decisions	6
Local members	6
Responsibility to inform	6
Reports	6
3. DELEGATION	7
Delegated authority	7
Material decisions	8
Major Projects	9
Contracts Standing Orders	10
4. DELEGATION TO CHIEF EXECUTIVE	10
5. DELEGATION TO CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS	12
6. DELEGATION TO THE EXECUTIVE DIRECTOR OF COMMUNITIES AND FAMILIES	12
8. DELEGATION TO THE EXECUTIVE DIRECTOR OF RESOURCES	13
9. DELEGATION TO THE CHIEF OFFICER - EDINBURGH HEALTH AND SOCIAL CARE PARTNERSHIP	13
10. DELEGATION TO THE EXECUTIVE DIRECTOR OF PLACE	13
11. DELEGATION TO THE CHIEF PLANNING OFFICER	13
Appendix 1 – General Delegation to Chief Executive and Executive Directors	14
<i>Funds, contracts and property</i>	14
<i>Proper officers</i>	14
<i>Legal</i>	14
<i>Staff</i>	15
<i>Health and Safety</i>	17
<i>Health and Wellbeing</i>	17
<i>Use of land and buildings</i>	17
<i>Regulation of investigatory powers</i>	17
<i>Renewal of grants to voluntary organisations</i>	18
<i>Hospitality</i>	18
<i>Write off</i>	19
<i>Access to information</i>	19
<i>Consultations</i>	19
<i>Grant offers</i>	19
<i>Council companies</i>	19
Appendix 2 – Delegation to the Executive Director of Communities and Families	20
<i>Education</i>	20
<i>Social Work</i>	23
<i>Sport</i>	28
<i>Libraries</i>	29

Appendix 3 – Delegation to the Executive Director of Resources	30
<i>Legal</i>	30
<i>HR & Organisational Development</i>	30
<i>Finance</i>	30
<i>Customer</i>	31
<i>Investment and Pensions</i>	33
<i>Corporate Property</i>	33
<i>Shared Repairs</i>	36
Appendix 4 – Delegation to the Chief Officer - Edinburgh Health and Social Care Partnership	37
<i>All service users</i>	37
<i>Community Care</i>	39
Appendix 5 – Delegation to the Executive Director of Place	43
<i>Notices and Orders</i>	43
<i>Roads</i>	43
<i>Traffic</i>	48
<i>Housing and Regeneration</i>	52
<i>Licensing</i>	55
<i>Community safety, environmental, consumer protection and registration etc.</i>	58
<i>Parks and Greenspace</i>	64
<i>Waste Services</i>	65
<i>Building Standards</i>	68
<i>Floods, Reservoirs and Coasts</i>	68
<i>City Strategy and Economy</i>	72
<i>Culture</i>	72
<i>Public Safety</i>	74
Appendix 6 – Head of Safer and Stronger Communities	
Appendix 7 – Chief Planning Officer	75
<i>Planning policy</i>	75
<i>Planning applications etc.</i>	76
<i>Enforcement action</i>	78
<i>Landscape</i>	80
<i>Appeals</i>	81
<i>Legal Agreements</i>	81
<i>Miscellaneous</i>	81
<i>Flooding</i>	82
Appendix 8 – Statutory functions and Statutory officers	83
Appendix 9 – Proper Officer functions	85
Appendix 10 – List of legislation	87

CITY OF EDINBURGH COUNCIL
SCHEME OF DELEGATION TO OFFICERS

GENERAL

- 1.1 This Scheme of Delegation to Officers ("**Scheme**") applies from 29 June 2018 and sets out the powers delegated by the City of Edinburgh Council ("**Council**") to officers, pursuant to the Local Government (Scotland) Act 1973. The Scheme is intended to facilitate the efficient conduct of Council business by clearly setting out the nature and extent of the powers delegated to officers by the Council.
- 1.2 The powers delegated to officers in terms of this Scheme are subject to change by act of Council in accordance with the Standing Orders of the Council.
- 1.3 The Local Government (Scotland) Act 1973 requires the Council to maintain a list specifying those powers which are exercisable by officers, and stating the title of the officer who exercises that power. The lists of powers are set out in this Scheme.
- 1.4 In this Scheme:
- (a) a reference to "**Executive Director**" means any of the Executive Directors of the Council or the Chief Officer - Edinburgh Health and Social Care Partnership (and "**Executive Directors**" shall be interpreted accordingly);
 - (b) a reference to a statute or statutory provision:
 - (i) is a reference to it as amended, extended or re-enacted from time to time; and
 - (ii) shall include all subordinate legislation made from time to time under that statute or statutory provision;
 - (c) any reference to this Scheme shall include the appendices to the Scheme ("**Appendices**" and each an "**Appendix**");
 - (d) a reference to "**Council Policies**" shall include all and any policies approved by the Council from time to time (and "**Council Policy**" shall be interpreted accordingly);
 - (e) references to paragraphs are to paragraphs of this Scheme; and

- (f) headings are for convenience, do not form part of this Scheme and shall not be used in its interpretation.

Principles of delegation

- 1.5 Officers to whom power is delegated in terms of this Scheme must exercise their powers in accordance with the following principles:
 - (a) the decision or action must not be a matter ("**Reserved Matter**"):
 - (i) reserved by law to the Council or a Committee or sub-committee of the Council ("**Committee**"); or
 - (ii) that the Council or a Committee has expressly determined should be discharged otherwise than by an officer;
 - (b) the decision or action must not alter or be contrary to law or to policy set by the Council and its Committees;
 - (c) the decision or action must be taken in accordance with the Council's Standing Orders as amended from time to time;
 - (d) the decision or action must be taken in accordance with the Financial Regulations and Corporate Debt Policy as amended from time to time and comply with the financial limits set out in those documents;
 - (e) the financial consequences of the decision or action must be contained within the budget approved by Council for the financial year in question;
 - (f) the decision or action must not give rise to a conflict of interest as set out in the Council's code of conduct for employees; and
 - (g) elected members must be appropriately consulted and, in particular, officers must comply with the provisions of paragraph 2 of this Scheme.
- 1.6 If there is a question or dispute on whether a decision taken or proposed to be taken by an officer contravenes the provisions of this Scheme, it will be decided by the Chief Executive in consultation with the Leader of the Council (or the deputy Leader if the Leader is absent).
- 1.7 Each Executive Director and Head of Safer and Stronger Communities/CSWO shall have authority to take all decisions or actions necessary to implement a policy approved by or a decision previously taken by

the Council or a Committee or which facilitate or are conducive to the implementation of such a policy or decision.

2. **CONSULTATION WITH ELECTED MEMBERS**

Politically controversial matters and material decisions

2.1 Where a decision or action proposed to be taken under delegated powers is likely to be regarded as politically controversial or is a decision ("**Material Decision**") that will have or is likely to have:

- (a) a significant effect on financial, reputational or operational risk; and/or
- (b) a significant impact on service delivery or performance;

the appropriate elected members will be consulted before any decision or action is taken. Appropriate elected members will include the relevant convener or vice-convenor(s) and, where appropriate, the Leader and/or deputy Leader.

Local Members

2.2 Where a decision or action relates to a particular ward or wards (and not to the whole area of the Council) and is likely to directly affect the ward interests of a local member or members, those members will be consulted before any decision or action is taken (save in the case of matters of a routine or confidential nature).

Responsibility to inform

2.3 It is the responsibility of the Chief Executive, relevant Executive Director or Head of Safer and Stronger Communities/CSWO to keep the elected members of the Council appropriately informed about activity arising within the scope of the delegated authority under this Scheme.

Reports

2.4 The Council or any Committee may require the Chief Executive, Executive Directors or Head of Safer and Stronger Communities/CSWO to submit reports on the decisions taken and action authorised by them under delegated authority. The Chief Executive or relevant Executive Director shall submit a report in relation to any Material Decision to Council or the appropriate Committee.

3. **DELEGATION**

Delegated authority

- 3.1 The Council delegates authority for certain powers or functions to the Chief Executive, Executive Directors and heads of service as detailed in this Scheme.
- 3.2 In the event that the Chief Executive, Executive Director or Head of Safer and Stronger Communities/CSWO is unavailable, his/her deputy or the head of the relevant service will have delegated authority to take urgent decisions in the absence of the Chief Executive or Executive Director.
- 3.3 The Chief Executive, Executive Directors or Head of Safer and Stronger Communities/CSWO may sub-delegate their delegated powers to their deputy or head(s) of service or such other officer(s) in their service area as they may consider appropriate. Each officer to whom powers are delegated may sub-delegate to such other officers in their service area as they may consider appropriate. This will be in each case the officer of an appropriate level of seniority who is most closely involved with the matter in question. The Chief Executive and Executive Directors will remain accountable for decisions taken by their sub-delegates.
- 3.4 Sub-delegation of functions by any officer to another officer in accordance with this Scheme will not prevent the officer from whom the authority is being delegated from also discharging those functions.
- 3.5 Where authority has been sub-delegated by one officer to another in accordance with this Scheme, such authority can be revoked at any time without prejudice to any previous decisions made under that authority.
- 3.6 Certain functions ("**Statutory Functions**") must, by law, be carried out by certain statutory officers. The Council delegates authority to those statutory officers ("**Statutory Officers**") to carry out the Statutory Functions. A list of the Statutory Functions and the Statutory Officers can be found in Appendix 8.
- 3.7 The authority delegated to the Chief Executive and Executive Directors in terms of this Scheme shall not include any Statutory Function, which shall be exercised by the appropriate Statutory Officer.
- 3.8 Legislation requires that certain functions be exercised by a "**proper officer**". This Scheme sets out Council officers who are designated as proper officers in relation to particular functions. An officer who is designated as a proper officer by this Scheme may also designate in writing other officer(s) in his or her service

area to exercise his or her functions as proper officer. Such designation can be revoked at any time by the designating officer without prejudice to any previous actions taken under that designation. Designated proper officers are set out in paragraph 5 of Appendix 1, paragraph 21 of Appendix 7 and in Appendix 9.

- 3.9 Appropriate records must be kept of any sub-delegations of powers made under the Scheme.

Material Decisions

- 3.10 Notwithstanding the terms of any delegation of authority to Executive Directors or other officers in terms of this Scheme, all Material Decisions shall be taken in consultation with the Corporate Leadership Team (“**CLT**”). It is intended that this will engender greater transparency; foster a collegiate culture of collective decision-making among chief officers; and ensure proper corporate oversight, scrutiny and challenge of Material Decisions.
- 3.11 It is the responsibility of each Executive Director, Head of Safer and Stronger Communities/CSWO or other officer to whom powers are delegated to consider whether a decision or action in relation to a matter delegated to him/her is a Material Decision and in the case of an officer other than an Executive Director, to bring it to the attention of the relevant Executive Director or Head of Safer and Stronger Communities/CSWO. The relevant Executive Director or Head of Safer and Stronger Communities/CSWO will bring any Material Decision to the next available meeting of the CLT.
- 3.12 In the case of any Material Decision that relates to a Statutory Function, the provisions of paragraphs 2.1 and 3.12 of this Scheme shall be without prejudice to the legal duties and responsibilities of the relevant Statutory Officer.
- 3.13 The provisions of paragraph 3.12 of this Scheme shall be without prejudice to the principles of delegation set out in paragraph 1.5 of this Scheme and the requirement to consult with elected members set out in paragraph 2.1 of this Scheme.

Major Projects

- 3.14 The following projects ("**Major Projects**") shall be dealt with as set out in paragraph 3.15 of this Scheme:
- (a) any project which has an estimated value of £5 million or more; or
 - (b) any other corporate project the Chief Executive shall, in consultation with the CLT and the Convener or vice-Convener of the Finance and Resources Committee, so designate.
- 3.15 In order to ensure effective governance and delivery of Major Projects, the Head of Strategy and Insight will make arrangements to:
- (a) oversee all Major Projects to ensure they are initiated appropriately, and independently assess elements of the Major Projects including:
 - (i) options appraisal;
 - (ii) affordability;
 - (iii) implementation;
 - (iv) resource planning;
 - (v) sustainability;
 - (vi) equalities;
 - (vii) environmental impact; and
 - (viii) stakeholder engagement;
 - (b) provide ongoing support to Major Projects through key stage or gateway reviews, management dashboard reporting, post completion reviews and tracking benefits realisation; and
 - (c) update the CLT and the Finance and Resources Committee on the status and progress of Major Projects.

Contracts Standing Orders

- 3.16 Any officer to whom relevant authority is delegated in terms of this Scheme must comply with the terms of the standing orders and have regard to the Council's procurement handbook which apply to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials to the Council and/or for the provision of services ("**Contract Standing Orders**").

4. DELEGATION TO CHIEF EXECUTIVE

- 4.1 As head of paid service the Chief Executive has overall responsibility for the corporate management and operational functions of the Council that are delegated to officers under this Scheme. The Chief Executive is authorised to discharge any function or exercise any power delegated to any officer under this Scheme.
- 4.2 In addition, the Council authorises the Chief Executive to:
- (a) take action to ensure that the Council's responsibilities and duties under the Civil Contingencies Act 2004 and other emergency planning, business continuity and resilience legislation are discharged;
 - (b) take any urgent action necessary in the event of a civil emergency, business continuity or resilience incident;
 - (c) act as Returning Officer for local government elections, Westminster elections, Scottish Parliament elections, European elections and Business Improvement District elections under sections 25 and 41 of the Representation of the People Act 1983;
 - (d) act as Counting Officer for referendums held in terms of the Political Parties, Elections and Referendums Act 2000;

- (e) perform the Council's functions under the Regulation of Investigatory Powers (Scotland) Act 2000 and the Regulation of Investigatory Powers Act 2000 in accordance with Council policy, including:
 - (i) appointing authorising officers;
 - (ii) authorising directed surveillance or the use of a covert human intelligence source which involves the likelihood of obtaining confidential information; and
 - (iii) authorising the use of covert human intelligence sources in relation to juveniles or vulnerable adults;
- (f) monitor the Council's compliance with information compliance legislation, including the Freedom of Information (Scotland) Act 2002, Environmental Information (Scotland) Regulations 2004, INSPIRE (Scotland) Regulations 2009 and the General Data Protection Regulation 2016/679;
- (g) monitor the management of Council records in line with the provisions of the Public Records (Scotland) Act 2011;
- (h) approve expenditure on civic hospitality in accordance with Council Policy;
- (i) supervise and manage offenders subject to community orders or released from prison (or in similar circumstances) including:
 - (i) reports for courts and hearings (excluding children);
 - (ii) probation orders;
 - (iii) community payback orders;
 - (iv) community service;
 - (v) supervised attendance orders;
 - (vi) drug treatment and testing orders;
 - (vii) orders under section 57 of the Criminal Procedure (Scotland) Act 1995;
 - (viii) diversion from prosecutions;
 - (ix) parole, or other supervised conditional release from prison;

(x) provision of advice, guidance and assistance if requested by a person released from prison or detention within the previous 12 months; and

(xi) throughcare services for serving and released prisoners;

(j) provide advice, guidance and assistance to a person who is arrested and detained in police custody, or on whom sentence is deferred in terms of section 27ZA of the Social Work (Scotland) Act 1968; and

(k) take steps to ensure the Council complies with its duties to co-operate with the Scottish Minister when carrying out its functions in accordance with sections 1 and 10 to 12 of the Management of Offenders etc. (Scotland) Act 2005.

5. DELEGATION TO THE CHIEF EXECUTIVE AND ALL EXECUTIVE DIRECTORS

5.1 Subject to the provisions of paragraphs 1 to 3 of this Scheme, the Chief Executive, each Executive Director and Head of Safer and Stronger Communities/CSWO shall have delegated authority to manage all human, financial and other resources within his/her service area, including those functions set out in Appendix 1.

6. DELEGATION TO EXECUTIVE DIRECTOR OF COMMUNITIES AND FAMILIES

6.1 Subject to the provisions of paragraphs 1 to 3 of this Scheme, the Executive Director of Communities and Families, or the Chief Social Work Officer, or the Chief Education Officer where relevant, shall have delegated authority to exercise the schools, early years, children's social work services, childcare, community services, libraries and sport functions including those set out in Appendix 2.

7. DELEGATION TO EXECUTIVE DIRECTOR OF RESOURCES

- 7.1 Subject to the provisions of paragraphs 1 to 3 of this Scheme, the Executive Director of Resources shall have delegated authority to carry out all finance, investment and pensions, organisational development, customer, ICT, legal, risk, corporate property, facilities management and shared repairs functions of the Council including those set out in Appendix 3.

8. DELEGATION TO CHIEF OFFICER - EDINBURGH HEALTH AND SOCIAL CARE PARTNERSHIP

- 8.1 Subject to the provisions of paragraphs 1 to 3 of this Scheme, the Chief Officer - Edinburgh Health and Social Care Partnership, or the Chief Social Work Officer where relevant, shall have delegated authority to exercise the social work, social care and social welfare functions of the Council including those set out in Appendix 4, except to the extent that those functions are delegated by Council to the Integration Joint Board.

9. DELEGATION TO EXECUTIVE DIRECTOR OF PLACE

- 9.1 Subject to the provisions of paragraphs 1 to 3 of this Scheme, the Executive Director of Place shall have delegated authority to carry out all powers and responsibilities associated with the Council's housing and regeneration, housing support, community safety, environmental health, scientific services, trading standards, licensing, registration, advice services, parks, waste management and disposal, street cleaning, grounds maintenance, economic development, sustainability, public safety, culture, corporate fleet management and maintenance, community transport, building standards, transport planning, roads management and maintenance, flood prevention, reservoir and coastal functions including those set out in Appendix 5.

10. DELEGATION TO HEAD OF SAFER AND STRONGER COMMUNITIES / CHIEF SOCIAL WORK OFFICER

- 10.1 Subject to the provisions of paragraph 1 to 3 of this Scheme, the Head of Safer and Stronger Communities / Chief Social Work Officer shall have delegated authority to carry out all the powers and responsibilities associated with the Council's criminal justice social work, homelessness, temporary accommodation, housing support, community safety, advice services and family and household support.

11. DELEGATION TO CHIEF PLANNING OFFICER

- 11.1 Subject to the provisions of paragraphs 1 to 3 of this Scheme, the Chief Planning Officer shall have delegated authority to exercise the planning functions set out in Appendix 7.

APPENDIX 1

GENERAL DELEGATION TO CHIEF EXECUTIVE, DIRECTORS AND CHIEF SOCIAL WORK OFFICER

These are the functions referred to in paragraph 5 of the Scheme:

Funds, contracts and property

1. spending money and managing their budgets in accordance with Council approved resource allocations and with the Financial Regulations;
2. subject to any policies and/or directions issued by the Executive Director of Resources:
 - (a) transferring funds between headings within their approved revenue budgets;
 - (b) transferring funds between capital projects included in the capital budgets for their service;

provided that (1) the Executive Director of Resources is informed of the transfer and (2) the transfer does not affect revenue or capital budgets for future years;

3. entering into, terminating, varying, suspending or extending contracts subject to compliance with the Council's Contract Standing Orders;
4. declaring property or land surplus to requirements, including one-off blocks of flats and main door properties;

Proper officers

5. acting as proper officer in terms of any provisions of the Local Government (Scotland) Act 1973, the Requirements of Writing (Scotland) Act 1995 and generally any local government legislation and signing all deeds and other documents which require to be sealed with the Common Seal of the Council or are binding on the Council;

Legal

6. settling legal actions and claims in consultation with the Head of Legal and Risk;

7. initiating, entering into, defending and withdrawing from legal proceedings in consultation with the Head of Legal and Risk;

Staff

8. appointing employees within agreed staffing levels up to but excluding Heads of Service;
9. appointing an acting head of service from the staff of the Council when a head of service is absent or the post is vacant;
10. conducting disciplinary and grievance proceedings for employees in accordance with the Council's approved policy and procedures;
11. authorising staff attendance at training courses, conferences, seminars and other developmental activities;
12. changing staffing structures, numbers and gradings in accordance with approved job evaluation arrangements, with the exception of major staffing reviews, provided that such changes comply with guidelines issued by the Executive Director of Resources;
13. remedying inconsistencies in pay or conditions of service in conjunction with the Executive Director of Resources;
14. deciding the following personnel matters in accordance with approved schemes and/or guidance issued by the Executive Director of Resources (or, in the case of teaching staff, by the Executive Director of Communities and Families):
 - (a) approval of paid or unpaid leave for special circumstances, secondment, or leave to work or visit abroad;
 - (b) entering into compromise or settlement agreements with staff in relation to their employment with the Council in consultation with the Head of Legal and Risk, and subject also to consultation with the appropriate convener;
 - (c) save in the case of an Executive Director, where the decision shall be reserved to the Finance and Resources Committee, making decisions in relation to the Local Government Pension Scheme membership (including, for example, early

payment of pensions, late transfers, late applications to pay optional pensions contributions, augmented membership, additional pensions, and fraud/forfeiture cases);

- (d) extension of sickness allowance;
- (e) recovery of maternity pay;
- (f) closure of buildings in emergency or exceptional circumstances and early closure during the festive season;
- (g) approval of application for car loans in consultation with the Executive Director of Resources;
- (h) approval of transfer of annual leave;
- (i) approval of overtime;
- (j) approval of applications for secondary employment;
- (k) authorisation of payments for lectures, speeches etc. to external organisations;
- (l) determination of claims of up to £250 for damage to or loss of the personal property of employees in consultation with the Executive Director of Resources;
- (m) payment of removal expenses and allowances;
- (n) payment of car users' allowances;
- (o) authorisation of telephone allowances;
- (p) placement of employees on appointment on a point within a grade or grades applicable to the posts;
- (q) establishment and filling of fixed term posts in accordance with the relevant Council Policy; and
- (r) appointment of apprentices on completion of indentures;

Health and Safety

15. implementing the Council's Health and Safety Policy and arrangements;

Health and Wellbeing

16. implementing the Council's Health and Wellbeing Policy and arrangements;

Use of land and buildings

17. approving, subject to compliance with any approved scheme of charges, the use by appropriate organisations, bodies or persons of land and premises owned, occupied or managed by the Council (including land managed on behalf of the Common Good);

18. regulating access to, and conduct of persons on property owned, occupied or managed by the Council, including (1) eviction, ejection and expulsion from property and (2) the application and enforcement of management rules under sections 112 and 116 of the Civic Government (Scotland) Act 1982 as approved by the Council from time to time;

19. approving the temporary closure of property owned, occupied or managed by the Council to:

- (a) ensure the safety of Council staff or members of the public;
- or

- (b) undertake essential planned maintenance,

subject to consultation with the appropriate convener or vice-convener and local elected members and insertion of a public notice in the press informing the public of the closure when relevant;

Regulation of investigatory powers

20. performing the Council's functions under the Regulation of Investigatory Powers (Scotland) Act 2000 and the Regulation of Investigatory Powers Act 2000 in accordance with Council policy, with the exception in the case of the Executive Directors of the following functions which are reserved to the Chief Executive:

- a) appointing authorising officers;
- b) authorising directed surveillance or the use of a covert human intelligence source which involves the likelihood of obtaining 'confidential' information; and
- c) authorising the use of covert human intelligence sources in relation to juveniles or vulnerable adults.

Renewal of grants to voluntary organisations

21. approving applications for the renewal of grants up to £25,000, from properly constituted voluntary organisations which meet the Council's eligibility criteria, provided that:

- (a) any increase in the amount of the grant renewal payment from the previous year does not exceed the lesser of (a) 30% of the payment from the previous year or (b) £5,000;
- (b) the decisions taken under this paragraph are reported by the relevant officer every year to the appropriate Committee;
- (c) the grant renewal will not be used wholly or mainly to pay for permanent staff (unless the grant renewal is a payment to playgroups or a service purchasing arrangement under the National Health Service and Community Care Act 1990);
- (d) any relevant local members are informed and consulted where it appears that an application for grant renewal directly affects their ward's interests; and
- (e) a relevant local member has not applied to the relevant officer, within 14 days of being advised of the proposed grant renewal, requesting that the decision is referred to the appropriate Committee;

Hospitality

- 22. approving expenditure on hospitality in accordance with Council Policy;
- 23. approving expenditure on overseas visits by officers in accordance with Council Policy;

Write off

24. writing off or disposing of any stores, plant, furniture, equipment, or any other tangible or monetary asset not falling within the scope of the Corporate Debt policy in accordance with the Financial Regulations provided that:
 - (a) the stores, plant, furniture, equipment or such asset has become unfit for use and unsaleable, or in the case of relevant monetary assets, all reasonable steps to achieve recovery have been exhausted; and
 - (b) the decision is made in consultation with the Executive Director of Resources;

Access to information

25. responding to requests for information made to the Council under the Freedom of Information (Scotland) Act 2002; Environmental Information (Scotland) Regulations 2004; INSPIRE (Scotland) Regulations 2009 and the Data Protection Act 1998;

Consultations

26. responding to consultations from external bodies seeking the input of the Council to the extent necessary to provide any technical, scientific, or other factual information, or professional opinion or analysis of an operational nature;

Grant offers

27. applying for grant funding on behalf of the Council;
28. accepting offers of grant funding on behalf of the Council; and

Council Companies

29. monitoring the performance of each Council company delivering services in his or her service area, including the attendance of a nominated Council observer at all company Board meetings and, where practicable, the relevant Audit Committee.

APPENDIX 2

DELEGATION TO THE EXECUTIVE DIRECTOR OF COMMUNITIES AND FAMILIES

*(or, where applicable, the Chief Social Work Officer
or Chief Education Officer)*

These are the powers referred to in paragraph 6 of the Scheme:

Education

1. taking steps to discharge the duty of the Council, as education authority, to secure adequate and efficient provision of school education (including pre-school education) and further education in accordance with section 1 of the Education (Scotland) Act 1980, and in doing so (1) having regard to the duty to ensure that education is directed to the development of the personality, talents and mental and physical abilities of children and young people (section 2 of the Standard in Scotland's Schools etc. Act 2000) and (2) endeavouring to ensure that schools managed by them promote the physical, social, mental and emotional health and well-being of pupils (section 2A of the Standard in Scotland's Schools etc. Act 2000);
2. maintaining and equipping schools and other buildings (section 17 of the Education (Scotland) Act 1980);
3. improving the access to premises for the safety of pupils (section 18 of the Education (Scotland) Act 1980);
4. operating arrangements for pupils from outside the Council's area (sections 23 and 24 of the Education (Scotland) Act 1980);
5. setting school commencement dates for primary schools (section 32 of the Education (Scotland) Act 1980);
6. managing placing requests including publishing of information on arrangements in accordance with the provisions of section 28A, and representing the Council at any placing appeal committee in accordance with section 28F, both of the Education (Scotland) Act 1980;

7. enforcing attendance at school, including bringing proceedings against parents in respect of children's non-attendance (sections 36, 37, 38, 39 and 43(2) of the Education (Scotland) Act 1980);
8. allowing pupils to miss school (section 34 of the Education (Scotland) Act 1980);
9. excluding pupils from school (Regulation 4 of the Schools (General) Scotland Regulations 1975);
10. promoting the involvement of the parents of pupils in attendance at schools in the education provided to those pupils (section 1 of the Scottish Schools (Parental Involvement) Act 2006);
11. awarding bursaries (section 49 of the Education (Scotland) Act 1980);
12. providing transport for pupils and students (section 51 of the Education (Scotland) Act 1980);
13. ensuring copies of education records are available including the ability to set charges (section 4 of the Education (Disability Strategies and Pupils' Educational Records) (Scotland) Act 2002);
14. awarding Education Maintenance Allowances (section 73(f) of the Education (Scotland) Act 1980);
15. providing school meals (section 53 of the Education (Scotland) Act 1980);
16. providing clothing (section 54 of the Education (Scotland) Act 1980);
17. discharging the Council's duties in relation to the employment of children (Children and Young Persons (Scotland) Act 1937);
18. licensing stage or theatrical performances by children (Children and Young Persons Act 1963);
19. providing child guidance services (section 4 of the Education (Scotland) Act 1980);
20. referring young people in medically unsuitable employment to the Employment Medical Advisory Service of the Department of Employment;

21. making grants to organisations involved with education;
22. managing or instructing the Executive Director of Resources to lease out Council community centres, working with locally elected Management Committees;
23. application of national circulars regarding service conditions of teaching staff. Where there is a choice of action, the circular will be sent to Committee;
24. providing programmes of adult education;
25. providing or arranging in-service training for staff;
26. providing the education authority's representatives on the recruitment panels for all Head Teachers,
27. providing work experience for pupils who are eligible (section 123 of the Education (Scotland) Act 1980);
28. operating health and safety checks on work-experience placements;
29. dealing with the use of educational premises for licensed functions;
30. managing the Education Arts Development Programme;
31. specifying the level of service and other relevant details for getting tenders for the School and Welfare Catering Services;
32. negotiating variation orders for changes in the level of School and Welfare Catering services with the approved contractor within the contract price approved by the Council;
33. making awards of up to £5,000 for distribution of Childcare Partnership funds;
34. approving joint working arrangements with other bodies;
35. liaising with the Scottish Government Education & Training Department;
36. carrying out the consultations processes required by the Schools (Consultation) (Scotland) Act 2010;

37. in consultation with the Chief Executive and with the Head of Legal and Risk, receiving notice of, representing the Council and responding to referrals by the Children’s Reporter to the Scottish Ministers under the Children’s Hearings (Scotland) Act 2011;
38. implementing the duties and powers set out in the Education (Additional Support for Learning) (Scotland) Act 2004;

Social Work

39. taking necessary steps to discharge the Council’s duties under the Social Work (Scotland) Act 1968, the Children (Scotland) Act 1995, the Social Care (Self-directed Support) (Scotland) Act 2013 and the Children and Young People (Scotland) Act 2014;
40. arranging for the protection of property of people who have gone into hospital or care as in section 48 of National Assistance Act 1948;
41. maintaining a Complaints Procedure and service as in section 5B of the Social Work (Scotland) Act 1968;
42. where the carer of a person over 18 years of age is a child under 18 years of age, assisting Health and Social Care staff to assess the carer’s needs and provide information about the assessment as in sections 12A, 12AA and 12AB of the Social Work (Scotland) Act 1968;
43. making direct payments to individuals to allow them to purchase community care services or if they are disabled, to assist them to care for their children under the Social Care (Self-directed Support) (Scotland) Act 2013;
44. making direct payments to 16 and 17 year olds with a disability and to parents of children under 18 with a disability to allow them to pay for children’s services under the Social Care (Self-directed Support) (Scotland) Act 2013;
45. burying or cremating any person who was in the care of, or receiving help from, the Council, immediately before their death as in section 28 of the Social Work (Scotland) Act 1968;
46. deciding whether to pay the expenses of parents, relatives etc. visiting people (including looked after children) who are being cared for or

maintained in accommodation by the Council, or in attending funerals as in section 29 of the Social Work (Scotland) Act 1968;

47. providing and maintaining whatever residential and other establishments are needed for the Council's functions under Part II of the Children (Scotland) Act 1995;
48. recovering from other local authorities any costs for services provided to people ordinarily resident there under the Social Work (Scotland) Act 1968 as in section 86 of the Social Work (Scotland) Act 1968;
49. authorising the following finance related issues in accordance with the Corporate Debt Policy and wider Council Policies:
 - (a) writing off debts on social grounds or in exceptional circumstances;
 - (b) reimbursing carers and substitute carers for loss or damage (*ex gratia*) of up to £500, subject to appropriate consultation with the convener or vice-convener;
 - (c) reimbursing staff for loss or damage (*ex gratia*) of up to £500;
 - (d) making payments to staff for emergency expenses (*ex gratia*) of up to £50; and
 - (e) reimbursing neighbours and/or relatives of departmental carers for damage caused by service users (*ex gratia*), where it would be in the interest of the Council to maintain goodwill, subject to appropriate consultation with the convener or vice-convener;
50. providing reports and information to the courts in private law proceedings as in section 11 of the Matrimonial Proceedings (Children) Act 1958 and section 11 of the Children (Scotland) Act 1995;
51. assessing and recovering contributions for "maintainable" children looked after by the Council as in sections 78 to 82 of the Social Work (Scotland) Act 1968;

52. where there is an assessed need, paying allowances to people who have children and young people residing with them as in section 50 of the Children Act 1975;
53. providing an adoption service in accordance with section 1 of the Adoption and Children (Scotland) Act 2007;
54. supervising and providing reports to the court in respect of non-agency adoptions as in sections 17 and 18 of the Adoption and Children (Scotland) Act 2007;
55. taking necessary or facilitative steps to implement arrangements for the adoption of children;
56. providing adoption support plans under section 45 of the Adoption and Children (Scotland) Act 2007;
57. approving and paying adoption allowances as in section 71 of the Adoption and Children (Scotland) Act 2007;
58. securing the welfare of all foster children, receiving and assessing notifications, inspecting premises, imposing requirements and removing children from unsuitable premises (sections 3, 5, 6, 8, 9, 10 and 12 of the Foster Children (Scotland) Act 1984);
59. preparing and publishing a plan for services to children under 8 years of age as in section 19 of the Children Act 1989;
60. preparing and publishing a three year plan for day care services to children in need as in section 19 of the Children (Scotland) Act 1995;
61. publishing information about services for children in need as in section 20 of the Children (Scotland) Act 1995;
62. safeguarding and promoting the welfare of children looked after by the Council and giving them the opportunity to fulfil their potential as in section 17 of the Children (Scotland) Act 1995;
63. safeguarding and promoting the welfare of children in need giving help “in kind or in cash” as in section 22 of the Children (Scotland) Act 1995;

64. minimising the effect of disability on children, assessing the needs of children with or affected by disability, assessing the ability of their carers to meet those needs and providing information assessment as in sections 23, 24, and 24A of the Children (Scotland) Act 1995 and the and the Social Care (Self-directed Support) (Scotland) Act 2013;
65. providing accommodation for children and young people when lost or abandoned or when no-one with parental responsibility can do it as in section 25 of the Children (Scotland) Act 1995;
66. providing accommodation for young people aged 18 to 21 years of age when to do so would safeguard and promote their welfare as in section 25 of the Children (Scotland) Act 1995;
67. providing accommodation and maintenance for children looked after by the Council as in section 26 of the Children (Scotland) Act 1995;
68. providing day care for pre-school and other children as in section 27 of the Children (Scotland) Act 1995;
69. providing after-care for children (under 21 years of age) who were previously looked after by a local authority as in section 29 of the Children (Scotland) Act 1995;
70. providing financial help towards maintaining, educating or training for young people who were looked after by the Council at the time of leaving school age as in section 30 of the Children (Scotland) Act 1995;
71. reviewing cases of children looked after by the Council as in section 31 of the Children (Scotland) Act 1995;
72. removing children from residential establishments as in section 32 of the Children (Scotland) Act 1995;
73. accepting responsibility for orders made in respect of children in other parts of the UK where the child is now ordinarily resident in Edinburgh as in section 33 of the Children (Scotland) Act 1995;
74. providing short term refuges where a child may be at risk of harm as in section 38 of the Children (Scotland) Act 1995;

75. making enquiries and providing information to the Principal Reporter to the Children's Panel where children may need compulsory measures of care as in section 60 of the Children's Hearings (Scotland) Act 2011;
76. where a child may be at risk of significant harm, investigating the matter and if need be applying for the following orders:
 - (a) Child Assessment Order (under section 35 of Children's Hearings (Scotland) Act 2011);
 - (b) Child Protection Order (under sections 37 to 39 of Children's Hearings (Scotland) Act 2011);
 - (c) Emergency Child Protection Order (under section 55 of Children's Hearings (Scotland) Act 2011); and
 - (d) Exclusion Order (under sections 76 to 80 of the Children (Scotland) Act 1995);
77. providing reports on children and their social background for a Children's Hearing as in section 66 of the Children's Hearings (Scotland) Act 2011;
78. implementing supervision requirements made by a Children's Hearing under the Children's Hearings (Scotland) Act 2011;
79. in consultation with Chief Executive and with the Head of Legal and Risk, receiving, responding to and representing the Council in respect of all referrals by the Children's Reporter to the Sheriff Principal under the Children's Hearings (Scotland) Act 2011;
80. arranging the emergency move of a child subject to a supervision requirement with condition of residence under the Children's Hearings (Scotland) Act 2011;
81. recommending that a supervision requirement is reviewed by a Children's Hearing under the Children's Hearings (Scotland) Act 2011;
82. where assessed as necessary, applying to a court for a Permanence Order, or Permanence Order with authority to adopt, under sections 80-83 of the Adoption and Children (Scotland) Act 2007;

83. applying for variation or revocation of permanence order when there has been a material change of circumstances under section 99 of the Adoption and Children (Scotland) Act 2007;
84. providing information to the Courts and arranging accommodation for the detention of children being prosecuted for, or convicted of criminal offences as in sections 42, 43, 44, and 51 of the Criminal Procedure (Scotland) Act 1995;
85. making purchases, outside the central purchasing arrangements, for necessary food, clothing and other essential items for children in care of the Council and living within the Council's residential establishments for young people;
86. discharging the Council's duties in relation to children and young people under the Secure Accommodation (Scotland) Regulations 2013;
87. undertaking all activities, powers and duties as the appropriate local authority to do with Parental Orders as provided for in section 13 and in Part 9 of the Antisocial Behaviour etc (Scotland) Act 2004 including:
 - (a) applying for the making of an order or review of an order;
 - (b) supervising parents who are subject to an order and reporting breaches to the relevant court; and
 - (c) providing services and programmes of work or training for parents and generally giving effect to parenting orders.

Sport

88. devising and implementing events and sports programmes;
89. allocating space within sports facilities to relevant partners and agreeing the terms of any such arrangements, taking advice as necessary from other service areas, and bringing those arrangements to conclusions as required;
90. awarding grants from the physical activity and sport grant budgets subject to:
 - (a) a maximum grant on any one project of £5,000 to be reported to the appropriate Committee annually; and

(b) consultation with the appropriate convener and vice-convener;

91. monitoring arms' length organisations which operate Sport facilities or services, or both, on the Council's behalf, including Edinburgh Leisure;

Libraries

92. providing and managing the Council's library services;
93. requiring any person to whom any article (other than a book or periodical) is lent to deposit with the Council a sum of money for the safe return of such article (section 6 of the City of Edinburgh District Council Order Confirmation Act 1991);
94. making a charge for notifying a person that an article reserved by him has become available for borrowing (section 6 of the City of Edinburgh District Council Order Confirmation Act 1991);
95. charging for the borrowing of any article (other than a book or periodical) or the provision of any service provided at libraries (section 6 of the City of Edinburgh District Council Order Confirmation Act 1991); and
96. prescribing periods within which any article borrowed from a library must be returned, and exacting penalties for the retention by borrowers of any article beyond such period (section 39(1)(a) of the Edinburgh Corporation Order Confirmation Act 1967).

APPENDIX 3

DELEGATION TO THE EXECUTIVE DIRECTOR OF RESOURCES

These are the powers referred to in paragraph 7 of the Scheme:

Legal and Risk

1. signing court documents;
2. signing missives, other holograph conveyancing documents and notices and orders relating to compulsory purchase orders;
3. engaging private legal firms, counsel, sheriff officers, patent agents and parliamentary agents as appropriate;

Human Resources

4. approving applications for early retiral/voluntary severance payments (including teaching staff) subject to an annual report being submitted to Council;
5. issuing certificates as required for employees to apply to the adjudicator for exemption from political restriction;
6. approving all new career development/salary progression schemes and changes to existing schemes;
30. implementing nationally agreed pay awards;
31. approving and making payment of:
 - (a) all salaries, wages, compensations and other emoluments to all employees;
 - (b) pension entitlements to former employees; and

(c) tax, national insurance and apprenticeship levy contributions to Her Majesty's Revenue and Customs;

Finance

7. determining all accounting and financial records and procedures of the Council. Where such procedures and records are maintained in a service area other than that of the Executive Director of Resources, the Executive Director shall, before making any determination, consult with the Executive Director of the service area concerned;
8. performing any function on behalf of the Common Good Fund, charitable endowments and any other Council funds which would reasonably be deemed to be investment business provided that the Executive Director takes the appropriate advice where necessary and reports any actions to Committee;
9. opening, closing and operating bank accounts on behalf of the Council;

10. approving and making payments due to Her Majesty's Revenue and Customs, and Revenue Scotland;
11. reviewing and amending as appropriate the financial limits given in the Financial Regulations, Finance Rules and supporting policies every year, in line with the relevant inflation indexes;
12. the pooling and treasury management of all surplus funds under the Council's administration and all executive decisions on the approved treasury management activities subject to compliance with CIPFA's "Code of Practice for Treasury Management in the Public Services" and other relevant professional guidance;
13. all borrowing and lending in accordance with the Treasury Management Policy Statement;
14. providing cash advances as considered appropriate for officers of the Council to defray petty cash, other expenses and any other matters on the administration of imprest accounts;
15. assessing business cases for the taking out of new leases to ensure they are consistent with the securing of best value;
16. effecting insurance cover and negotiating with the Council's insurers for all claims in consultation with other officers where necessary;
17. reviewing annually all insurances in consultation with the other chief officers as appropriate and reporting annually to the convener or vice-convener;
18. approving the rate of interest the Council is required to charge to borrowers with variable interest rate loans;
19. being responsible for all purchasing arrangements as detailed in the Contract Standing Orders;
20. collecting and where necessary recovering debt, and where appropriate authorising the write-off of debt, in accordance with Council Policies;

Customer Services and Information Technology

21. collecting (and where necessary recovering) council tax as set by the Council in accordance with section 97(1) and Schedules 2 and 8 of the

Local Government Finance Act 1992 and the provisions of the Council Tax (Administration and Enforcement) (Scotland) Regulations 1992;

22. issuing demand notices for the collection of rates payable to the Council under section 237 of the Local Government (Scotland) Act 1947;
23. recovering rates under section 247(5) of the Local Government (Scotland) Act 1947, where necessary in consultation with the convener or vice-convener;
24. administering benefits in accordance with the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992;
25. administering council tax reduction scheme in accordance with the Council Tax Reduction (Scotland) Regulations 2012;
26. paying all sums to all creditors subject to the certification and authorisation of the appropriate chief officers;
27. signing the certificates and petitions that the Sheriff Court requires for Summary Warrant applications to collect arrears of Community Charge Non-Domestic Rates, Council Tax and other income;
28. deciding to call-up loans where borrowers have fallen into arrears with their house purchase loans;
29. establishing procedures for considering, authorising and making discretionary housing payments and for the consideration by officers, other than the original decision makers, of appeals against decisions on such applications;

30

Investment and Pensions

32. implementing strategies and policies agreed by the Pensions Committee including the investment strategy of the pensions funds and performing any function on behalf of the pensions funds which would reasonably be deemed to be investment business provided that the Executive Director takes the appropriate advice;
33. implementing pension regulations including the application of

discretions as required in accordance with policies approved by the Pensions Committee from time to time;

34. appointing, monitoring and reviewing such specialist managers and advisers as are necessary to make sure that the pensions funds' assets are managed effectively;
35. determining all accounting, records and financial procedures of the pension funds;
36. writing off pension overpayments of up to £3,000 subject to compliance with the appropriate Council Policies;

Property and Facilities Management

37. concluding leases, missives of let, licence agreements or extensions of leases and licence agreements or similar on behalf of the Council where:
 - (a) the length of the lease/missive/agreement is no more than five years and the rent (exclusive of VAT) is no more than £50,000 a year; or
 - (b) the length of the lease/agreement is no more than one month;

save where any lease offer which includes an element of community benefit as set out in Council Policy is received, when the decision shall be referred to Committee;

38. negotiating, processing and instructing the Head of Legal and Risk to conclude all rent reviews;
39. taking any action to ensure all terms of a lease or licence agreement are enforced, including terminating any lease or agreement and taking whatever action is necessary to effect an eviction where the tenant or licensee has failed to comply with the terms and conditions of the lease or agreement;
40. granting on behalf of the Council 'wayleave' agreements, and concluding missives and leases for sites for sub-stations, gas governors and similar installations for any period whatsoever, with the exception of:
 - (a) wayleaves for gas mains of a diameter greater than 225 mm;
 - (b) grids, oil or chemical pipelines; and
 - (c) overhead transmission lines with a capacity greater than 33,000 volts
which would only be granted with the Council's consent;
41. granting and obtaining a Minute of Waiver for no more than £50,000;
42. buying and selling property or property rights up to £50,000 when this is required to help in the acquisition or disposal of a more valuable property and the cost can be offset against the acquisition/disposal;
43. permitting a tenant to assign their lease/agreement subject to the Council being in no worse a financial position;
44. buying land or property provided that it has been specifically budgeted for;
45. marketing surplus property for sale or lease and accepting the highest offer subject to being satisfied that this represents market value (if it is proposed that any offer other than the highest received be accepted, or when any offer includes an element of community benefit as set out

in Council Policy then the matter must be considered and approved by the Finance and Resources Committee);

46. agreeing terms for the sale of small plots of land (including land held on the Housing Revenue Account) and instructing the Head of Legal and Risk to conclude the sale, subject to being satisfied that this represents market value, and where:

- (a) the land is existing open space, for example amenity land, landscaping or verges adjoining roads and footpaths;
- (b) the land does not exceed 150 metres²; and
- (c) the use of the land would be for garden ground or for any other ancillary residential use;

47. negotiating and instructing the Head of Legal and Risk to conclude the sale of residential properties under "Right to Buy" legislation;

48. where property is held for commercial or economic development purposes doing the following :

- (a) negotiating to dispose of land or property at values up to £250,000;
- (b) negotiating the grant of "minutes of waiver";
- (c) signing all offers on behalf of the Council to let or take on lease properties where:
 - (i) the length of the lease is no more than five years and the exclusive rent is no more than £50,000 a year; or
 - (ii) the length of the lease is no more than one month;save where any lease offer which includes an element of community benefit as set out in Council Policy is received, when the decision shall be referred to Committee;
- (d) negotiating to renew or extend leases where it is uneconomic or unsuitable to advertise the properties;
- (e) agreeing to proposed transfers of leases where the Council is landlord, and instructing the Head of Legal and Risk to conclude these;

49. where property is held on behalf of the Common Good, doing the following:

- (a) negotiating the grant of "minutes of waiver" or wayleaves;

- (b) signing on behalf of the Council, as manager, to let properties
 - (c) negotiating to renew or extend leases where it is uneconomic or unsuitable to advertise these properties;
50. publishing notices of a proposed appropriation or disposal of land in accordance with sections 24(2A) and 27(2A) of the Town and Country (Scotland) Act 1959;
51. negotiating and settling all claims for compensation where property has been purchased by the Council under a compulsory purchase order or requires to be purchased for a scheme or project included within the Council's Capital Investment Programme or where there has been a loss in value of property relating to works carried out by the Council;

Shared Repairs

53. serving notices for repairs, enforcement, carrying out and recovery of costs and expenses in terms of Part 8 of the Civic Government (Scotland) Act 1982 and Part 4 of the Building (Scotland) Act 2003;
54. withdrawing, waiving and relaxing notices issued under Part 4 of the Building (Scotland) Act 2003;
55. recovering reasonable costs incurred in respect of surveys undertaken under section 22 of the Local Government in Scotland Act 2003
55. responding in emergency situations and carrying out repairs immediately where damage to property or health or safety matters are issues and recovering the costs and expenses of doing so;
56. inspecting properties, serving (as proper officer) and enforcing notices and recovering costs under section 24 of the Edinburgh District Council Order Confirmation Act 1991; and
57. executing any works necessary for securing, restoring or repairing privately owned properties, and recovery from the owners of the relevant properties of any expenses reasonably incurred by the Council in doing so, all in accordance with section 26 and 57 of the Edinburgh District Council Order Confirmation Act 1991.
58. cancelling and serving new notices under section 48 of the City of Edinburgh District Council Order Confirmation Act 1991;
59. make missing share payments into owners' maintenance accounts for sums between £500 and £20,000 under section 50 (3) of the Housing Act 2006.
60. recover missing share payments from the owner of the house concerned under section 59 of the Housing Scotland Act 2006 and in line with the Council's Corporate Debt Policy.

APPENDIX 4
DELEGATION TO THE CHIEF OFFICER - EDINBURGH HEALTH AND SOCIAL
CARE PARTNERSHIP

(or, where applicable, the Chief Social Work Officer)

These are the powers referred to in paragraph 8 of the Scheme:

All service users

1. Taking any necessary action on behalf of the Council to ensure that it discharges its duties under the National Assistance Acts, the Disabled Persons (Employment) Act 1958, the Social Work (Scotland) Act 1968, the Chronically Sick and Disabled Person's Act 1970, the Disabled Persons (Services, Consultation and Representation) Act 1986, the National Health Service and Community Care Act 1990, the Criminal Procedure (Scotland) Act 1995, the Adults with Incapacity (Scotland) Act 2000, the Housing (Scotland) Act 2001, the Curators ad litem and Reporting Officers (Panels) (Scotland) Regulations 2001, the Community Care and Health (Scotland) Act 2002, the Homelessness (Scotland) Act 2003, the Mental Health (Care and Treatment) (Scotland) Act 2003, the Adult Support and Protection (Scotland) Act 2007, the Public Services Reform (Scotland) Act 2010, the Social Care (Self-directed Support) (Scotland) Act 2013 or generally any legislation concerning the Council's functions relating to the provision of social care and support services;
2. arranging for the protection of property of people who have gone into hospital or care as in section 48 of the National Assistance Act 1948;
3. maintaining a Complaints Procedure and service as in section 5B of the Social Work (Scotland) Act 1968;
4. making direct payments to individuals to help them purchase community care services as in sections 12B and 12C of the Social Work (Scotland) Act 1968;
5. providing home help and laundry facilities as in section 14 of the Social Work (Scotland) Act 1968;

6. burying or cremating any person who was in the care of, or receiving help from, the Council and so on, immediately before their death as in section 28 of the Social Work (Scotland) Act 1968;
7. deciding whether to pay the expenses of parents, relatives etc. visiting people who are being cared for or maintained in accommodation by the Council, or in attending funerals as in section 29 of the Social Work (Scotland) Act 1968;
8. providing and maintaining whatever residential and other establishments are needed for the Council's functions under the Social Work (Scotland) Act 1968 and the Mental Health (Care and Treatment) (Scotland) Act 2003, in terms of section 59 of the Social Work (Scotland) Act 1968;
9. recovering from other local authorities any costs for services provided to adults ordinarily resident there under the Social Work (Scotland) Act 1968 as in section 86 of the Social Work (Scotland) Act 1968;
10. recovering charges for services provided under the Social Work (Scotland) Act 1968 as in section 87 of the Social Work (Scotland) Act 1968, but subject to directions or regulations under sections 1 to 6 of Community Care and Health (Scotland) Act 2002;
11. providing welfare services for people (including, for example, assistance in arranging the carrying out of any works of adaptation in homes);
12. providing information on Health and Social Care services for people to whom the section applies and any relevant services of other authorities or organisations as in section 9 of the Disabled Persons (Services, Consultation and Representation) Act 1986;
13. making arrangements for facilities for seriously disabled persons for sheltered employment and training as in section 3 of the Disabled Persons (Employment) Act 1958;
14. co-ordinating and overseeing applications for the registration of all services provided by the Council and all related matters as in sections 59, 62 to 75 and 83 to 89 of the Public Services Reform (Scotland) Act 2010;

15. administering the Panel or Panels appointed under the Curators ad litem and Reporting Officers (Panels) (Scotland) Regulations 2001, including arrangements for training of members of said Panel or Panels;
16. authorising the following finance related issues in accordance with the Financial Regulations and Council Policies:
 - (a) authorise the write-off of debts or charges in the following circumstances:
 - i. incorrect assessment brought to light at later date;
 - ii. where the service user has died and there is no money in the estate;
 - iii. where the service user cannot be traced;
 - iv. in the case of a service dispute where a complaint has been upheld; and
 - v. for social reasons;
 - (b) reimbursing carers and substitute carers for loss or damage (*ex gratia*) of up to £500;
 - (c) reimbursing staff for loss or damage (*ex gratia*) of up to £500;
 - (d) making payments to staff for emergency expenses (*ex gratia*) of up to £50; and
 - (e) reimbursing neighbours and relatives of departmental carers for loss or damage caused by service users (*ex gratia*) of up to £500, where it would be in the interest of the Council to maintain goodwill, subject to appropriate consultation with the relevant convener or vice-convener;

Community Care

17. taking any necessary action on behalf of the Council to ensure that it discharges its duties under the Adult Support and Protection (Scotland) Act 2007, including:
 - (a) making inquiries about a person's well-being, property or financial affairs if it is known or believed that the person is

an adult at risk and that intervention might be needed to protect the person's well-being, property or financial affairs (section 4);

(b) applying to the sheriff for an order which authorises a Council officer to take a specified person from a place being visited (sections 7 and 11);

(c) if recommended by the relevant medical officer, applying for an order to remove to suitable premises a person in need of care and attention (sections 14 to 18); and

(d) applying for a banning order (sections 19 to 34);

18. preparing and publishing a plan for providing community care services in Edinburgh as in section 5A of the Social Work (Scotland) Act 1968;

19. promoting social welfare including giving help "in kind or in cash" where the terms of section 12 of the Social Work (Scotland) Act 1968 are met;

20. safeguarding and promoting the welfare of children in need and giving help "in kind or in cash" as in section 22 of the Children (Scotland) Act 1995;

21. collaborating with individuals and carers to assess their needs and providing information in accordance with sections 12A, 12AA and 12AB of the Social Work (Scotland) Act 1968;

22. making arrangements with voluntary or other organisations for residential accommodation where nursing is provided for people who appear to need such accommodation as in section 13A of the Social Work (Scotland) Act 1968;

23. approving rates for and contracts for delivery of residential and other services in circumstances where the politically approved pricing policy does not apply;

24. assessing needs of disabled or chronically sick people as in section 4 of the Disabled Persons (Services, Consultation and Representation) Act 1986;

25. assisting persons in need in disposal of produce of their work as in section 13 of the Social Work (Scotland) Act 1968;
26. approving waivers or disregards in respect of determining a client's liability for contribution to social care and housing support services provided;
27. approving waivers and disregards in respect of determining a client's liability for contribution to care home (residential/nursing) costs;
28. approving the variation, suspension or termination of contracts with providers in line with the Council's Quality Assurance arrangements for health and social care services;
29. providing or securing the provision of care and support services including residential services for people who are, or have been, suffering from mental disorder as defined in section 25 of the Mental Health (Care and Treatment) (Scotland) Act 2003;
30. providing after-care services for people who are/have been, suffering from mental disorder as in section 26 of the Mental Health (Care and Treatment) (Scotland) Act 2003;
31. appointing Mental Health officers as in section 32 of the Mental Health (Care and Treatment) (Scotland) Act 2003, and supervising the discharge of their statutory responsibilities; and
32. discharging the Council's duties under the Adults with Incapacity (Scotland) Act 2000, including:
 - (a) the following duties within section 10:
 - i. supervising guardians;
 - ii. consulting the Public Guardian and Mental Welfare Commission on matters of common interests;
 - iii. receiving and investigating complaints about welfare attorneys and matters of common interests;

- iv. receiving and investigating complaints about welfare attorneys and guardians; and
- v. providing a guardian, welfare attorney or person authorised under an intervention order when requested; and

(b) the following duties within section 57:

- i. applying to be a guardian of an adult if there is no other suitable adult and managing the property, financial affairs and welfare of that adult in accordance with any order issued by the court in that regard; and
- ii. providing court reports of private applications to be a guardian.

APPENDIX 5

DELEGATION TO THE EXECUTIVE DIRECTOR OF PLACE

These are the functions referred to in paragraph 9 of the Scheme:

Notices and Orders

1. signing notices and orders about road traffic matters;

Roads

2. overseeing the general management and maintenance of roads (section 1(1) of Roads (Scotland) Act 1984);
3. adding roads to or taking them off the roads authority's list of public roads (section 1(4) of the Roads (Scotland) Act 1984);
4. advising frontagers of the Council's intention to add to or delete from the list of public roads (section 1(5) of the Roads (Scotland) Act 1984);
5. altering or improving existing or proposed roads that cross public roads (section 12 of the Roads (Scotland) Act 1984);
6. serving notice on frontagers of a private road to make up and maintain that road (section 13(1) of the Roads (Scotland) Act 1984);
7. contributing to, or carrying out work on private roads (section 14(1) of the Roads (Scotland) Act 1984);
8. carrying out emergency work on private roads (section 15 of the Roads (Scotland) Act 1984);
9. determining applications for private roads to become public roads when Road Construction Consents are sought (section 16 of the Roads (Scotland) Act 1984);
10. entering into agreements to take over footpaths in accordance with section 18 of the Roads (Scotland) Act 1984;
11. constructing new roads other than special roads which are considered requisite (section 20(1) of the Roads (Scotland) Act 1984);
12. entering new roads constructed by the local roads authority into the list of public roads (section 20(2) of the Roads (Scotland) Act 1984);
13. granting all road construction applications (section 21 of the Roads (Scotland) Act 1984) except:
 - (a) where there are unresolved objections;
 - (b) when the application is recommended for refusal;
and

- (c) when an applicant wishes to be heard by the Committee in connection with a conditional consent or refusal that has been recommended;
- 14. serving notices to conform to conditions imposed in a Road Construction Consent (section 21(5) of the Roads (Scotland) Act 1984);
- 15. stopping up or temporarily closing a new road where there is no construction consent or it is not conformed with (section 23 of the Roads (Scotland) Act 1984);
- 16. raising, lowering or altering the level of a public road (section 24 of the Roads (Scotland) Act 1984);
- 17. providing footways for the safety or convenience of pedestrians (section 25 of the Roads (Scotland) Act 1984);
- 18. constructing, lighting and maintaining pedestrian subways under, or footbridges over, the road for the purpose of making the crossing of a public road less dangerous for pedestrians or protecting traffic along the road from danger (section 26 of the Roads (Scotland) Act 1984);
- 19. constructing and maintaining works in the carriageway of a public road (section 27 of the Roads (Scotland) Act 1984);
- 20. providing and maintaining raised paving, pillars, walls, rails, fences or barriers at certain places (section 28 of the Roads (Scotland) Act 1984);
- 21. putting up and maintaining fences or posts to prevent access or to set the boundary for a road or proposed road (section 29 of the Roads (Scotland) Act 1984);
- 22. carrying out work to protect roads against hazards of nature (such as snow, flood or landslide) (section 30 of the Roads (Scotland) Act 1984);
- 23. using the road authority's powers for draining roads (section 31 of the Roads (Scotland) Act 1984);
- 24. contributing to the costs of drainage work (e.g. for flood prevention) (section 32 of the Roads (Scotland) Act 1984);
- 25. providing and maintaining snow gates for the purpose of temporarily closing a road to vehicular traffic on any occasions when snow is rendering or has rendered that road unsafe; and closing and securing any snow gate on the road against traffic (except traffic engaged in the provision or restoration of essential services) in accordance with the provisions set out in section 33 of the Roads (Scotland) Act 1984;
- 26. taking reasonable steps to prevent snow and ice endangering safe passage over public roads (section 34 of the Roads (Scotland) Act 1984);

27. providing and maintaining lighting on roads or proposed roads (section 35 of the Roads (Scotland) Act 1984);
28. constructing road humps (section 36 of the Roads (Scotland) Act 1984);
29. consulting on providing road humps (section 37 of the Roads (Scotland) Act 1984);
30. constructing traffic calming works (section 39A of the Roads (Scotland) Act 1984);
31. providing, maintaining and removing cattle-grids (sections 41, 42 and 43 of the Roads (Scotland) Act 1984);
32. entering into agreements with other neighbouring authorities in respect of cattle grids (section 44 of the Roads (Scotland) Act 1984);
33. providing cattle grids to supersede gates (section 45 of the Roads (Scotland) Act 1984);
34. making agreements for cattle grids with landowners (section 46 of the Roads (Scotland) Act 1984);
35. contributing towards the cost of cattle grids (section 47 of the Roads (Scotland) Act 1984);
36. entering into agreements with any persons willing to contribute to the construction or improvement of a road (section 48 of the Roads (Scotland) Act 1984);
37. maintaining structures and equipment for the detection of traffic offences (section 49A of the Roads (Scotland) Act 1984);
38. planting trees, shrubs, grass and other plants within the boundaries of a public road (section 50 of the Roads (Scotland) Act 1984);
39. allowing trees, shrubs, grass and other plants to be planted by people other than the roads authority (section 51 of the Roads (Scotland) Act 1984);
40. carrying out works to mitigate any adverse effect which the construction, improvement, existence or use of any road has or will have on the surroundings (section 52 of the Roads (Scotland) Act 1984);
41. making agreements to use land for landscaping to mitigate the effects of road construction (section 53 of the Roads (Scotland) Act 1984);
42. providing and maintaining rubbish bins or storage bins on roads (section 54 of the Roads (Scotland) Act 1984);
43. authorising in writing work in or excavation under a public road (section 56 of the Roads (Scotland) Act 1984);

44. taking action to eliminate danger caused by works in or under a road (section 57 of the Roads (Scotland) Act 1984);
45. granting permission in writing for any person to leave material on a road, or occupy it in any other way, for building purposes (section 58 of the Roads (Scotland) Act 1984);
46. giving written consent, with reasonable conditions attached as appropriate, for things to be placed or deposited in a road (section 59 of the Roads (Scotland) Act 1984);
47. enforcing rectification of failures to mark, light, fence or sign an obstruction in a road, or enforcing a person to shore up or otherwise protect a building in accordance with section 60 of the Roads (Scotland) Act 1984;
48. allowing equipment to be placed under a road (section 61 of the Roads (Scotland) Act 1984);
49. temporarily prohibiting or restricting the use of roads which are dangerous (section 62 of the Roads (Scotland) Act 1984);
50. serving notice that a satisfactory vehicle crossing must be made (section 63 of the Roads (Scotland) Act 1984);
51. giving statutory undertakers consent to work on footways, footpaths and cycle tracks (section 64 (2) of the Roads (Scotland) Act 1984);
52. serving notices on owners or occupiers who fail to keep any structures or fixtures (including cellar openings, doors and covers) or vaults, arches, cellars and tunnels in good condition and repair and requiring them to replace, repair or put into good condition such structures, and paying any associated expenditure incurred by owners or occupiers (section 66 of the Roads (Scotland) Act 1984);
53. issuing notices to enforce an owner to alter a door, gate, window, window shutter or bar in order that it does not reduce safety or convenience by opening outwards into a road (section 67 of the Roads (Scotland) Act 1984);
54. starting the consultation process to stop up public and private access to land (sections 70 and 72 of the Roads (Scotland) Act 1984);
55. stopping up public and private access to land where no objections have been received following notice to the public (sections 70 and 72 of the Roads (Scotland) Act 1984);
56. making land temporarily available for alternative routes during road improvement works (section 74 of the Roads (Scotland) Act 1984);
57. diverting waters (to construct, improve, protect roads) (section 78 of the Roads (Scotland) Act 1984);
58. entering into agreements to maintain or contribute to the cost of

- maintaining bridges (section 79 of the Roads (Scotland) Act 1984);
- 59. serving notices relating to the obstruction of views at corners, bends and junctions (section 83 of the Roads (Scotland) Act 1984);
- 60. giving written permission for skips to be left on a road (section 85 of the Roads (Scotland) Act 1984);
- 61. removing skips which are causing danger or obstruction (section 86 of the Roads (Scotland) Act 1984);
- 62. requiring persons to remove structures that have been erected, deposited or placed on a road in accordance with section 87 of the Roads (Scotland) Act 1984;
- 63. removing or altering projections of any buildings that interfere with safe or convenient passage along a road (section 88 of the Roads (Scotland) Act 1984);
- 64. intimating to owners that they must remove objects which have fallen onto a road causing an obstruction, and if the owner cannot be traced or fails to remove the object within a reasonable period of time, or if the case is one of emergency, removing such objects (section 89 of the Roads (Scotland) Act 1984);
- 65. taking all reasonable steps for the purpose of warning road users of obstructions in accordance with section 89 of the Roads (Scotland) Act 1984;
- 66. recovering from owners any expenses reasonably incurred in the removal of obstructions in accordance with section 89 of the Roads (Scotland) Act 1984;
- 67. agreeing to any overhead bridge, beam, rail or similar apparatus being fixed or placed over, along, or across a road (section 90 of the Roads (Scotland) Act 1984);
- 68. serving notices on owners to carry out work to remove danger where a hedge, tree, or shrub is causing danger, obstruction or interference to passing vehicles or pedestrians, and carrying out such work if required in accordance with section 91 of the Roads (Scotland) Act 1984;
- 69. giving consent for trees or shrubs to be planted within 5 metres of a carriageway and removing trees or shrubs planted without such consent (section 92 of the Roads (Scotland) Act 1984);
- 70. taking steps to protect road users from dangerous things on land beside or near a road (section 93 of the Roads (Scotland) Act 1984);
- 71. serving notices on occupiers of land adjoining a road to take steps to remove any risks of injury caused by wire, electrified fence, spikes, glass or any device (section 93 of the Roads (Scotland) Act 1984);
- 72. filling in a pipe or ditch next to or near a public road which is a danger

- to road users (section 94 of the Roads (Scotland) Act 1984);
73. recovering the cost of clearing mud, clay and so on, on a road (section 95 of the Roads (Scotland) Act 1984);
 74. recovering extraordinary costs for maintaining a road that has excessively heavy traffic (section 96 of the Roads (Scotland) Act 1984);
 75. giving consent in writing to stalls and similar structures being put up next to a principal road for the purposes of selling goods (section 97 of the Roads (Scotland) Act 1984);
 76. taking action related to stray and other animals on roads (section 98 of the Roads (Scotland) Act 1984);
 77. serving notices on the owners or occupiers of land who are not preventing the flow of water, filth or other offensive matter from their land onto a road, and consenting to other persons carrying out such preventative work with any reasonable conditions in accordance with section 99 of the Roads (Scotland) Act 1984;
 78. acquiring land when constructing or improving roads for schemes approved by the Council (sections 104, 106 and 107 of the Roads (Scotland) Act 1984);
 79. acquiring land to improve amenity of new or improved road for schemes approved by the Council (section 105 of the Roads (Scotland) Act 1984);
 80. obtaining materials for road repairs (section 121 of the Roads (Scotland) Act 1984);
 81. giving people powers of entry for surveys and inspections (section 140(1) of the Roads (Scotland) Act 1984);
 82. recovering expenses incurred when surveying land, etc. in connection with the Council's duties as roads authority (section 140(6) of the Roads (Scotland) Act 1984);
 83. carrying out work that someone has failed to do (section 141 of the Roads (Scotland) Act 1984);
 84. carrying out the roads authority's enforcement functions under the Roads (Scotland) Act 1984;

Traffic

85. commencing and completing the statutory procedure set out in the Local Authorities' Traffic Orders (Procedure) (Scotland) Regulations 1999, and doing all necessary preparation prior to making orders under the following sections of the Road Traffic Regulation Act 1984:
 - (a) sections 1, 2, and 4 (road traffic orders);

- (b) section 9 (experimental traffic orders);
 - (c) section 19 (regulation of highways by public service vehicles);
 - (d) sections 32, 35, 45, 46 and 49 (parking places);
 - (e) section 37 (extension of powers for purposes of general scheme traffic control);
 - (f) section 53 (designation orders);
 - (g) sections 82 and 83 (restricted roads); and
 - (h) section 84 (speed limit orders);
86. making orders under sections 1, 2, 4, 9, 19, 32, 35, 37, 45, 46, 49, 53, 82, 83 and 84 (as described in paragraph 84 above) of the Road Traffic Regulation Act 1984 where there have been no objections received by the public;
87. in relation to orders made under paragraph 85 of the Scheme, making decisions that section 3(1) of the Road Traffic Regulation Act 1984 shall not have effect;
88. commencing and completing the statutory procedure set out in the Stopping Up of Roads and Private Accesses and the Redetermination of Public Rights of Passage (Procedure) (Scotland) Regulations 1986 prior to:
- (a) making orders determining the means of exercise of a public right of passage under section 152(2) of the Roads (Scotland) Act 1984; and
 - (b) making orders stopping up roads and dangerous accesses under sections 68 and 69 of the Roads (Scotland) Act 1984;
89. making orders determining the means of exercise of a public right of passage where no objections have been following notice to the public (section 152(2) of the Roads (Scotland) Act 1984);
90. making orders to stop up roads and dangerous accesses where no objections have been received following notice to the public (sections 68 and 69 of the Roads (Scotland) Act 1984);
91. recovering the costs of stopping-up orders made under section 68(1) of the Roads (Scotland) Act 1984 (section 147 of the Roads (Scotland) Act 1984);
92. recovering the costs of stopping up roads for safety reasons (section 147 of the Roads (Scotland) Act 1984);
93. recovering the costs of re-determination orders made under section 152(2) of the Roads (Scotland) Act 1984;

94. remitting proposed orders made under sections 68, 69 or 152(2) of the Roads (Scotland) Act 1984 to the Scottish Ministers for consideration where objections have been received and not subsequently withdrawn, in accordance with Regulation 13 of the Stopping Up of Roads and Private Accesses and the Redetermination of Public Rights of Passage (Procedure) (Scotland) Regulations 1986;
95. modifying in order to make less onerous (where the modification will remove an objection), or suspending, experimental traffic orders (section 10 of the Road Traffic Regulation Act 1984);
96. temporarily restricting or banning the use of roads (section 14 and 16A of the Road Traffic Regulation Act 1984);
97. putting up, maintaining and altering pedestrian crossings on roads other than trunk roads (section 23 of the Road Traffic Regulation Act 1984);
98. making arrangements for school crossing patrols (siting, selecting and training staff) (section 26 of the Road Traffic Regulation Act 1984);
99. managing off-street parking places including provision of buildings and apparatus, etc (including the contracting out of any charges) (section 33 of the Road Traffic Regulation Act 1984);
100. providing access to premises through off-street parking places where this would relieve or prevent congestion (section 34 of the Road Traffic Regulation Act 1984);
101. acquiring land for off-street parking for schemes approved by the Council (section 40 of the Road Traffic Regulation Act 1984);
102. buying or hiring parking meters (section 49 of the Road Traffic Regulation Act 1984);
103. providing stands and racks for bicycles in a road or elsewhere (section 63 of the Road Traffic Regulation Act 1984);
104. causing or allowing traffic signs to be placed on or near any road (section 65 of the Road Traffic Regulation Act 1984);
105. consulting on the placing of traffic signs in certain circumstances (section 68 of the Road Traffic Regulation Act 1984);
106. serving notices on owners to remove unauthorised traffic signs (section 69 of the Road Traffic Regulation Act 1984);
107. entering any land and carrying out other powers for placing, replacing, converting and removing traffic signs (section 71 of the Road Traffic Regulation Act 1984);
108. putting up and maintaining signs showing a speed limit (section 85 of the Road Traffic Regulation Act 1984);

109. placing bollards or other obstructions on roads where an order is in force that prevents or restricts the passage of vehicles (section 92 of the Road Traffic Regulation Act 1984);
110. placing bollards on a road where authorised or ordered by the Scottish Ministers (section 93 of the Road Traffic Regulation Act 1984);
111. taking action to secure the expeditious, convenient and safe movement of traffic, including pedestrians, especially for access control of commercial and public service vehicles (section 122 of the Road Traffic Regulation Act 1984);
112. carrying out studies and implementing a programme of measures designed to promote safety (section 39 of the Road Traffic Act 1988);
113. consulting about road hump proposals and the placing of signs (Road Humps (Scotland) Regulations 1998);
114. effecting duties as to the general procedure to be followed before a temporary order is made (Paragraph 3 of the Road Traffic (Temporary Restrictions) Procedure Regulations 1992);
115. effecting duties as to various procedures to be followed in respect of timing of road works (Road Works (Scottish Road Works Register, Notices, Directions and Designations) (Scotland) Regulations 2008);
116. effecting duties as to procedures to be followed in respect of timing of road works (The Road (Traffic Calming)(Scotland) Regulations 1994);
117. effecting duties as to procedures to be followed for consultation about traffic calming works and to the placing of signs at such works (The Roads (Traffic Calming)(Scotland) Regulations 1994 as amended);
118. carrying out the roads authority's responsibilities under the Local Government (Omnibus Shelters and Queue Barriers) (Scotland) Act 1958;
119. carrying out the roads authority's responsibilities including enforcement functions under the New Roads and Street Works Act 1991;
120. commenting as roads authority on planning applications (Town and Country Planning (Development Management Procedure) (Scotland) Regulations 2008);
121. agreeing to the provision of seats and other street furniture on footways (section 30 of the Local Government and Planning (Scotland) Act 1982);
122. advising other authorities on their proposals to 'stop up' roads (sections 1 and 9 of the Road Traffic Regulation Act 1984; sections 68, 69 and 152 of the Roads (Scotland) Act 1984);
123. providing and maintaining lighting on roads that are not maintained by

the Council;

124. making arrangements for tenders and contracts for supported bus services under the Transport Act 1985;
125. arranging for minor spending on bus services to the limits in force for minor contracts under the Transport Act 1985;
126. erecting, moving and removing bus stops, shelters and information panels provided that no objections are made following notice to the public;
127. installing, moving and removing bus stop clearway markings under the Traffic Signs Regulations and General Directions 2002;
128. carrying out the Council's enforcement functions under the Road Traffic Regulation Act 1984, the Road Traffic Act 1991, the Transport (Scotland) Act 2001 and the Bus Lane Contraventions (Charges, Adjudication and Enforcement) (Scotland) Regulations 2011;
129. assessing whether people are eligible for forms of concessionary travel;
130. issuing and refusing to issue a disabled person's badge under the criteria prescribed in the Disabled Persons (Badges for Motor Vehicles) (Scotland) Regulations 2000;
131. asking the Traffic Commissioner to make a traffic regulation condition in respect of a local bus service (section 7 of the Transport Act 1985);
132. dealing with applications to run vehicles for the benefit of the community exempt from Public Service Vehicle etc requirements (section 19 of the Transport Act 1985);
133. dealing with applications to run a community bus service for the benefit of the community exempt from Public Service Vehicle, etc requirements (section 22 of the Transport Act 1985);
134. securing public transport services having regard for transport needs of members of the public who are elderly or disabled (section 63 of the Transport Act 1985); deciding the numbers of, and charges for, Edinburgh healthcare workers' parking permits subject to any disagreement with NHS Lothian being reported to Committee for decision;
135. approving or refusing applications for school crossing patrols in accordance with the Council Policies;

Housing and Regeneration

136. approving offers and authorising payments of grants to Registered Social Landlords;
137. authorising and carrying out repairs and maintenance to homes owned by the Council for the purposes of affordable rent ("Council

Homes”) in accordance with the Council’s repairs policy;

137. operating the “Right to Repair” scheme for tenants of Council Homes;
139. consenting to repairs and improvements of Council Homes;
140. determining whether the costs of repair and improvements to Council Homes should be reimbursed and to what extent;
141. maintaining a common housing register and allocating Council Homes in accordance with the Council’s lettings policy;
142. collecting rent, service charges and court costs where applicable from current and former tenants of Council Homes;
143. writing off the arrears balances of former tenants of Council Homes in accordance with Council Policies;
144. consulting with tenants of Council Homes on increases to rent and service charges;
145. carrying out regular maintenance of land held on the Housing Revenue Account;
146. instructing repairs to common areas in accordance with the Tenements (Scotland) Act 2004;
147. preparing and implementing a Tenant Participation Strategy, including keeping a register of tenant organisations in accordance with the Housing (Scotland) Act 2001 and awarding grants up to the sum of £5,000;
- 148.
149. registering the Council as a property factor with the Scottish Government and taking steps to comply with the code of conduct’s standards of practice, in accordance with the Property Factors (Scotland) Act 2011;
150. preparing and maintaining a register of private landlords under the Antisocial Behaviour etc. (Scotland) Act 2004;
151. carrying out functions under Part 9 of the Antisocial Behaviour etc. (Scotland) Act 2004;
152. entering relevant persons on the register of private landlords on receipt of a valid application to register or where a relevant person

- has made a valid houses of multiple occupancy application;
- 153. approving the entitlement to the relevant discounts of the fee to be entered on the register of private landlords;
- 154. carrying out the Council's duties as a landlord under section 30 of the Housing (Scotland) Act 1988;
- 155. issuing, serving, suspending and revoking work notices under sections 30, 31 and 32 of the Housing (Scotland) Act 2006;
- 156. carrying out work where the owner of a house fails to comply with a work notice or a demolition notice under section 35 of the Housing (Scotland) Act 2006;
- 157. carrying out work after notification by a private rented housing committee under section 36 of the Housing (Scotland) Act 2006;
- 158. carrying out the Council's functions in relation to maintenance under Part 1, Chapter 6 of the Housing (Scotland) Act 2006;
- 159. carrying out the Council's functions in relation to the licensing of houses in multiple occupation under Part 5 of the Housing (Scotland) Act 2006;
- 160. carrying out the Council's functions in relation to rights of entry under Part 9 of the Housing (Scotland) Act 2006;
- 161. exercising the Council's powers under Part 10 of the Housing (Scotland) Act 2006;
- 162. granting, varying, refusing, extending and revoking temporary exemption orders in terms of section 142 and 143 of the Housing (Scotland) Act 2006;
- 163. issuing rent penalty notices under the Antisocial Behaviour etc. (Scotland) Act 2004;
- 164. where appropriate, refunding fees that have been paid by applicants to be placed on the register of landlords;
- 165. processing applications for improvement grants and domestic sound-proofing grants including authority to make payments;
- 166. seeking the Scottish Minister's approval to raise the level of grant given to an owner-occupier for reasons of hardship;
- 167. carrying out assessments to determine homelessness or the threat of homelessness, and discharging the Council's duties in respect of those assessed as either being homeless or under threat of homelessness;
- 168. carrying out spot purchases of accommodation, including Bed and Breakfasts, for homeless, temporary or emergency accommodation;

169. entering into leasing agreements with Registered Social Landlords for homeless, temporary or emergency accommodation;
170. carrying out repairs to white goods and furnishings in homeless, temporary or emergency accommodation and core furnished tenancies;
171. kennelling pets for households staying in homeless, temporary or emergency accommodation;
172. determining who receives housing support in line with Council Policies;
173. implementing and enforcing the conditions of the Council's tenancy agreements for Council Homes including decisions to progress cases for repossession and eviction action;
174. determining eligibility of applicants and administering the sale of Council Homes under "Right to Buy" legislation;
175. purchasing and selling property on the Housing Revenue Account up to a value of £250,000, provided that such purchases are reported annually to the appropriate committee;

Licensing

176. granting or refusing permits for public charitable collections in accordance with criteria approved by the Regulatory Committee;
177. granting, attaching conditions to, refusing and issuing applications for licences etc. under the Civic Government (Scotland) Act 1982 and the legislation listed in Part A of Appendix 10 (including taxi and private hire car licence applications where an adverse medical report has been received) subject to:
 - (i) there being no objection or unresolved representation from a member of the public or the Chief Constable to the application;
178. subject to consultation with the Convener or Vice-Convener of the Licensing Sub-Committee, granting, attaching conditions to, refusing and issuing applications for any temporary licences etc. under the Civic Government (Scotland) Act 1982 and the legislation listed in Part of A of Appendix 10 where there has been an objection or unresolved representation from a member of the public or the Chief Constable to the application and where it is not practicable for the application to be considered by a scheduled meeting of the Licensing Sub-Committee prior to the date the licence, if granted, is due to commence;
179. granting, renewing, varying and issuing any licence where Police

Scotland has made a representation about conditions to be attached to the licence and where the applicant has indicated in writing that he/she agrees to the conditions;

180. renewing and issuing licences etc. under the Civic Government (Scotland) Act 1982 and the legislation listed in Part A of Appendix 10 if satisfied (after considering reports by appropriate officials) as to their non-contentious nature;
181. keeping a public register of applications, permissions and licences;
182. granting and issuing late hours catering licence renewals with hours in excess of zoning policy, where those hours had been enjoyed in the preceding year without complaint;
183. determining an application for an exemption from the requirement to have a late hours catering licence in respect of any particular occasion or during a specified period not exceeding two months in any period of 12 months, and, where appropriate, to attach to such exemption any of the standing conditions applying to late hours catering licences;
184. refunding the appropriate application fee (or part of the fee) for applications which have been withdrawn or refused and licences which have been granted, in accordance with Council Policy;
185. advertising any proposed taxi stance appointment, variation or revocation and:
 - (a) determining the proposal where no public objections or representations are received; and
 - (b) determining the starting date of any change;
186. determining whether good cause has been shown to deem an application for renewal of a licence made up to 28 days after the expiry of the existing licence is to be treated as if the licence had been made prior to its expiry;
187. subject to consultation with the Convener or Vice-Convener of the Licensing Sub-Committee, considering whether there is a serious threat to public order or public safety which would justify a temporary suspension of any licences etc. under the Civic Government (Scotland) Act 1982 and the legislation listed in Part A of Appendix 10, and where it is considered that such a serious threat to public order or public safety exists, temporarily suspending the relevant licences etc. for a period of not more than 6 weeks or until the suspension is considered by the Licensing Sub-Committee, whichever is sooner;
188. suspending taxi and private hire driver licences on a temporary basis on medical grounds during the currency of a licence where the licence holder is in agreement;

189. exempting new taxi driver licence applicants from elements of the compulsory training course if they have alternative equivalent qualifications;
190. accepting new applications to drive taxis or private hire cars from previously licensed drivers up to six months after the expiry of their licence at the appropriate renewal fee;
191. exercising the Council's overriding discretion in respect of section 187(a)(i) of the City of Edinburgh Council's Licensing Conditions for Taxis, Private Hire Cars, Taxi Drivers and Private Hire Car Drivers 2006) to consider any negative factor such as:
 - (a) whether the width deviated from the manufacturer's specification for standard vehicles of that type;
 - (b) whether factory options such as wide wheels and tyres had been added; and
 - (c) whether the vehicle could safely fit/utilise any taxi stance, without the stance being modified;
192. approving the installation of WiFi, CCTV or other camera equipment in any relevant licensed vehicle;
193. determining whether alleged changes in circumstances are adequate to allow the processing of a further application for a civic licence within 12 months of a refusal (including licences for houses in multiple occupation);
194. accepting a re-application for a civic licence within 12 months of a refusal under existing delegated powers due to an error of material fact and transferring the original fee to the re-application (including licences for houses in multiple occupation);
195. issuing letters of confirmation in respect of notification of public processions received with the exception of any notification attracting representations that cannot be resolved through negotiation;
196. determining requests for variation of fees for Houses in Multiple Occupation licences;
197. appointing members to vacancies arising in the membership of the Council's Licensing Forum;
198. appointing Licensing Standards Officers in accordance with section 13 of the Licensing (Scotland) Act 2005;
199. determining and issuing wheelchair exemptions on a temporary basis in respect of the City of Edinburgh Council's Licensing Conditions for Taxis, Private Hire Cars, Taxi Drivers and Private Hire Car Drivers;
200. determining whether to hold a hearing to consider the suspension of a licence in terms of the Civic Government (Scotland) Act 1982;

Community safety, environmental, consumer protection and registration etc.

201. exercising statutory duties, functions and enforcement under the legislation listed in Part B of Appendix 10;
202. when appointed by the Scottish Ministers, acting on any Emergency Order made under Part I of the Food and Environment Protection Act 1985;
203. carrying out reviews of air quality in accordance with section 82 of the Environment Act 1995;
204. carrying out assessments of air quality and the achievement of air quality standards or objectives in accordance with section 84 of the Environment Act 1995;
205. complying with any regulations made under section 87 of the Environment Act 1995;
206. enforcing pollution and nuisance control measures in accordance with sections 107, 108 and 109 of the Environment Act 1995;
207. issuing suspension notices under section 14 of the Consumer Protection Act 1987 for goods which are suspected to be unsafe;
208. granting licences under the Health and Safety at Work etc. Act 1974 and the Petroleum Acts 1928 and 1936;
209. making registrations under the Health and Safety and Work etc. Act 1974 and The Poisons Act 1972;
210. appointing and exercising the powers of health and safety inspectors under sections 19 and 20 of the Health and Safety at Work etc. Act 1974;
211. serving improvement notices and prohibition notices under sections 21 and 22 and in accordance with section 23 of the Health and Safety at Work etc. Act 1974;
212. dealing with causes of imminent danger in accordance with section 25 of the Health and Safety at Work etc. Act 1974;
213. providing information upon request under section 27 of the Health and Safety at Work etc. Act 1974;
214. issuing credentials to enforcement staff so that they can deal with enforcing and licensing as provided by the relevant legislation and European directives;
215. providing mobile toilet units, waste containers and assistance in kind to community organisations and charities for special events for which budget provision has been made, and charging for provisions of these services where appropriate;

216. performing the Council's public health duties under sections 11 to 21 of the Edinburgh District Council Order Confirmation Act 1991, including registering premises for acupuncturists, ear piercers and electrolysisists;
217. enforcing the removal or discontinuation of advertisements under section 186 of the Town and Country Planning (Scotland) Act 1997;
218. removing or obliterating placards or posters in accordance with section 187 of the Town and Country Planning (Scotland) Act 1997;
219. appointing officer to carry out the functions of the Public Analyst and Food Examiner (Food Safety Act 1990) and Agricultural Analyst/Depute Agricultural Analyst (Agriculture Act 1970);
221. exercising the Council's statutory duties and functions under the Food Safety Act 1990 in relation to issues of food hygiene, food safety and food standards, including labelling;
222. burying or cremating the body of any person who has died or been found dead in the Council's area in any case where it appears to the Council that no suitable arrangements for the disposal of the body have been or are being made otherwise than by the Council, and recovering from the estate of the deceased person the expenses incurred in doing so (section 50 of the National Assistance Act 1948);
223. burying or cremating the body of any deceased person who immediately before his death was in the care of, receiving assistance from, or was a child being looked after by the Council, and recovering the expenses of doing so from the estate of the deceased person or from any person who was liable to maintain the deceased person immediately before his death expenses incurred (section 28 of the Social Work (Scotland) Act 1968);
224. maintaining cemeteries in accordance with section 10 of the Edinburgh District Council Order Confirmation Act 1991;
225. awarding community grants from dedicated budgets;
226. providing and managing the Council's library services;
227. requiring any person to whom any article (other than a book or periodical) is lent to deposit with the Council a sum of money for the safe return of such article (section 6 of the City of Edinburgh District Council Order Confirmation Act 1991);
228. making a charge for notifying a person that an article reserved by him has become available for borrowing (section 6 of the City of Edinburgh District Council Order Confirmation Act 1991);
229. charging for the borrowing of any article (other than a book or periodical) or the provision of any service provided at libraries (section 6 of the City of Edinburgh District Council Order Confirmation Act 1991);

230. prescribing periods within which any article borrowed from a library must be returned, and exacting penalties for the retention by borrowers of any article beyond such period (section 39(1)(a) of the Edinburgh Corporation Order Confirmation Act 1967);
231. exercising the Council's functions under the Registration of Births, Deaths and Marriages (Scotland) Act 1965, including registering births and deaths, appointing a registrar and providing and maintaining a registration office;
232. appointing an officer to carry out the function of dealing with stray dogs, and dealing with dogs under sections 149, 150 and 151 of the Environmental Protection Act 1990;
233. exercising the Council's functions under the Public Health etc. (Scotland) Act 2008, including serving notices on owners or occupiers of infected premises, inspecting premises and recovering expenses, and providing mortuaries;
234. carrying out periodical inspections and exercising the Council's inspections functions under sections 9A to 12 of the Zoo Licensing Act 1981;
235. considering and making arrangements for the welfare of animals following the closure of a zoo under sections 16E and 16G of the Zoo Licensing Act 1981;
236. controlling noise from construction sites by investigating, and serving and publishing notices in accordance with section 60 of the Control of Pollution Act 1974;
237. considering applications for consents for works in accordance with section 61 of the Control of Pollution Act 1974;
238. investigating noise nuisance, serving warning notices and fixed penalty notices, and seizing and removing equipment in accordance with sections 41 to 54 of the Antisocial Behaviour etc (Scotland) Act 2004;
239. inspecting and investigating statutory nuisances in accordance with section 79 of the Environmental Protection Act 1990;
240. serving abatement notices and fixed penalty notices and initiating proceedings in relation to statutory nuisances in accordance with sections 80, 80ZA and 80A of the Environmental Protection Act 1990;
241. abating nuisances and recovering costs in relation to statutory nuisances in accordance with sections 81, 81A and 81B of the Environmental Protection Act 1990;
242. issuing fixed penalty notices for contravention of unauthorised or harmful depositing of waste in accordance with section 33A of the Environmental Protection Act 1990;

243. complying with the duty of care in relation to controlled waste in accordance with section 34 of the Environmental Protection Act 1990;
244. issuing notices and requiring the removal of waste unlawfully deposited in accordance with section 59 of the Environmental Protection Act 1990;
245. promoting the abatement of litter in accordance with section 87 of the Environmental Protection Act 1990;
246. issuing fixed penalty notices for leaving litter in accordance with section 88 of the Environmental Protection Act 1990;
247. designating litter control areas in accordance with section 90 of the Environmental Protection Act 1990;
248. serving litter abatement notices in accordance with section 92 of the Environmental Protection Act 1990;
249. issuing street litter control notices in accordance with section 93 of the Environmental Protection Act 1990;
250. complying with regulations made by Scottish Ministers in relation to the display of advertisements in accordance with section 182 of the Town and Country Planning (Scotland) Act 1997;
251. removing abandoned vehicles in accordance with section 3 of the Refuse Disposal (Amenity) Act 1978;
252. disposing of removed vehicles in accordance with section 4 of the Refuse Disposal (Amenity) Act 1978;
253. recovering expenses in connection with removed vehicles in accordance with section 5 of the Refuse Disposal (Amenity) Act 1978;
254. dealing with graffiti in accordance with sections 58 to 65 of the Antisocial Behaviour (Scotland) Act 2004, including serving graffiti removal notices;
255. exercising the Council's functions and powers in relation to drains in accordance with sections 29 to 34 of the Edinburgh District Council Order Confirmation Act 1991, including removing obstructions and serving notices;
256. serving notices in relation to environmental matters in accordance with section 160 of the Environmental Protection Act 1990;
257. discharging the Council's functions in relation to genetically modified organisms, including entering and inspecting premises, in accordance with sections 114 to 117 of the Environmental Protection Act 1990;
258. entering into agreements with Scottish Ministers to exercise the

- enforcement functions of the Scottish Ministers in relation to genetically modified organisms, in accordance with section 125 of the Environmental Protection Act 1990;
259. inspecting land in relation to contaminated land in accordance with section 78B of the Environmental Protection Act 1990;
 260. serving notices to require the remediation of contaminated land in accordance with section 78E of the Environmental Protection Act 1990;
 261. determining appropriate people to bear responsibility for remediation in accordance with section 78F of the Environmental Protection Act 1990;
 262. consulting in relation to remediation notices in accordance with sections 78G and 78H of the Environmental Protection Act 1990;
 263. serving remediation notices in relation to the pollution of controlled waters in accordance with section 78J of the Environmental Protection Act 1990;
 264. serving remediation notices in relation to contaminating substances which escape to other land in accordance with section 78K of the Environmental Protection Act 1990;
 265. carrying out remediation to the relevant land or water environment in accordance with section 78N of the Environmental Protection Act 1990;
 266. recovering costs incurred in relation to remediation in accordance with section 78P of the Environmental Protection Act 1990;
 267. exercising the Council's functions where remediation notices have been served and the land becomes special land, in accordance with section 78Q of the Environmental Protection Act 1990;
 268. maintaining a register in relation to contaminated land in accordance with sections 78R, 78S and 78T of the Environmental Protection Act 1990;
 269. providing SEPA with information when requested in accordance with section 78U of the Environmental Protection Act 1990;
 270. having regard to guidance issued by SEPA in accordance with section 78V of the Environmental Protection Act 1990;
 271. exercising the Council's functions in relation to contaminated land in accordance with section 78X of the Environmental Protection Act 1990;
 272. carrying out the Council's enforcement functions under sections 68, 71, 74 and 78 of the Antisocial Behaviour etc. (Scotland) Act 2004

273. carrying out the Council's enforcement functions in relation to fireworks in accordance with sections 2, 3 and 12 of the Fireworks Act 2003;
274. entering and inspecting premises, issuing fixed penalties and commencing legal proceedings in relation to smoking, in accordance with sections 1 to 10 of the Smoking, Health and Social Care (Scotland) Act 2005;
275. enforcing the safety provisions of the Motor Cycle Noise Act 1987;
276. enforcing the provisions of the Tobacco Advertising and Promotion Act 2002 in accordance with sections 13 and 14 of that act;
277. enforcing the duty to provide information on sale of houses, in accordance with sections 109 to 112 of the Housing (Scotland) Act 2006;
278. exercising the Council's enforcement functions in accordance with sections 25 and 26 of the Tobacco and Primary Medical Services (Scotland) Act 2010;
279. applying for tobacco retailing banning orders and ancillary orders in accordance with sections 15 to 19 of the Tobacco and Primary Medical Services (Scotland) Act 2010;
280. issuing fixed penalty notices in accordance with section 27 of the Tobacco and Primary Medical Services (Scotland) Act 2010;
281. exercising the Council's powers of entry in accordance with sections 28 to 31 of the Tobacco and Primary Medical Services (Scotland) Act 2010;
282. exercising the Council's enforcement powers in relation to copyright infringement in accordance with sections 107A and 198A of the Copyright, Designs and Patents Act 1988;
283. exercising the Council's enforcement functions and powers under the Enterprise Act 2002;
284. dealing with the clean up of spills in accordance with the Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998;
285. requiring the owner of a public building to execute works necessary to minimise the risk to the public in the event of danger in accordance with section 23 of the City of Edinburgh District Council Order Confirmation Act 1991;
286. requiring owners to carry out, or carrying out works to secure, restore or repair structures, fixtures, walls or fences that has become insecure, worn out, damaged or in need of repair, and recovering the costs of doing so, all in accordance with section 24 of the Edinburgh District Council Order Confirmation Act 1991;

287. giving notice to person requiring them to take steps to reduce the emission of dust in accordance with section 25 of the City of Edinburgh District Council Order Confirmation Act 1991;
288. serving notices in accordance with section 26 and in relation to sections 23 to 25 of the City of Edinburgh District Council Order Confirmation Act 1991;
289. cancelling and serving new notices under section 48 of the City of Edinburgh District Council Order Confirmation Act 1991;
290. entering premises to perform the Council's functions under the City of Edinburgh District Council Order Confirmation Act 1991 in accordance with section 53 of that act;
291. executing works and recovering the costs of doing so where an owner or occupier fails to do so after being served notice to do so in accordance with section 57 of the City of Edinburgh District Council Order Confirmation Act 1991;

Parks and Greenspace

292. approving in accordance with conditions considered appropriate to individual applications, and in accordance with Council Policy, all requests from organisations to make use of parks and recreational areas, subject to consultation with:
 - (a) the Convener or vice-Convener of the Transport and Environment Committee;
 - (b) the Festival and Events Champion;
 - (c) local ward Councillors;
 - (d) as appropriate, other Council service areas; and/or
 - (e) as appropriate, Lothian and Borders Police (or its successor) and other emergency services;
293. issuing felling orders for trees affected by Dutch Elm Disease (sections 3(1) (2) and (4) and 5(1) of the Plant Health Act 1967 and section 20 of the Agricultural (Miscellaneous Provisions) Act 1972 (B) and Dutch Elm Disease (Amendment) (Local Authorities) Order 1975);
294. creating, maintaining, enhancing and removing physical and natural assets within the Council's parks and greenspaces;
295. creating, maintaining, enhancing and removing trees and other landscape features managed by the Council;
296. implementing the provisions of the Council's Park Management Rules;

297. implementing the provisions of the Allotments (Scotland) Acts and administering the Council's allotment regulations;
298. implementing the provisions of wildlife, nature, access and parks legislation, including:
 - (h) Countryside (Scotland) Act 1967;
 - (i) Wildlife and Countryside (Scotland) Act 1981;
 - (j) National Parks and Access to the Countryside Act 1949;
 - (k) Nature Conservation (Scotland) Act 2004;
 - (l) Wildlife and Natural Environment (Scotland) Act 2011; and
 - (m) Land Reform (Scotland) Act 2003;
299. drafting, managing and implementing Council approved policy and strategy that relates to parks and greenspace responsibilities;
300. managing the Council's Green Flag Award and other quality management programmes;
301. managing events and activities taking place within parks and greenspaces;

Waste Services

302. preparing specifications and award contracts for repairing and maintaining the Council's vehicles and plant fleet, and for buying replacements, all in accordance with the Contracts Standing Orders as amended from time to time;
303. discharging duties relating to the conduct of the Council's significant trading operations in accordance with section 10 of the Local Government in Scotland Act 2003;
304. specifying the level of services and other relevant details for providing waste management, street cleansing and refuse collection services;
305. negotiating variation orders for changes in the level of waste management, street cleansing and refuse collection services with approved contractors, within the contract prices approved by the Council;
306. setting the prices of trade waste services provided by the Council;
307. exercising statutory duties, functions and enforcement under the legislation listed in Part B of Appendix 10 that relate to waste management;
308. carrying out the Council's waste management functions in accordance with its approved integrated waste management plan,

and providing the Scottish Ministers upon request with a statement setting out whether the Council is carrying out such functions (section 44Z of the Environmental Protection Act 1990);

309. collecting household, commercial or industrial waste, (including, where applicable, issuing reasonable charges for doing so), and exercising the Council's other ancillary powers all in accordance with section 45 of the Environmental Protection Act 1990;
310. arranging for the provision of receptacles to enable separate collection of dry recyclable waste and food waste in accordance with section 45C of the Environmental Protection Act 1990;
311. serving notice on occupiers regarding the placing of waste for collection in receptacles in accordance with section 46 of the Environmental Protection Act 1990;
312. supplying receptacles for commercial or industrial waste, and making reasonable charges for doing so, in accordance with section 47 of the Environmental Protection Act 1990;
313. arranging for the disposal of waste collected, providing places at which to deposit waste before the Council transfers it, providing places at which to dispose of or recycle waste and permitting another person to use the facilities provided by the Council, all in accordance with section 53 of the Environmental Protection Act 1990;
314. ensuring that land occupied by the Council and used as a site in or on which to deposit, treat, keep or dispose of controlled waste is used and operated in accordance with certain conditions, in accordance with section 54 of the Environmental Protection Act 1990;
315. enabling waste to be recycled, used for the purpose of producing heat or electricity, buying or acquiring waste to be recycled and using, selling or disposing of waste belonging to the authority in accordance with section 56 of the Environmental Protection Act 1990;
316. carrying out the Council's duties in response to directions issued by the Scottish Ministers, in accordance with sections 57 and 58 of the Environmental Protection Act 1990;
317. consenting to people sorting or disturbing anything deposited at a place for the deposit of waste or anything deposited in a receptacle for waste, in accordance with section 60 of the Environmental Protection Act 1990;
318. carrying out the Council's duties in response to regulations issued by the Scottish Ministers, in accordance with section 62 of the Environmental Protection Act 1990;
319. minimising the quantities of controlled waste in the Council's area and contributing towards the expenses of doing so, in accordance with section 63A of the Environmental Protection Act 1990;

320. exercising the power to require any person to furnish information in accordance with section 71 of the Environmental Protection Act 1990;
321. participating in legal proceedings in accordance with section 73 of the Environmental Protection Act 1990;
322. carrying out the Council's duties in relation to keeping roads clear of litter and refuse in accordance with section 89 of the Environmental Protection Act 1990;
323. participating in legal proceedings arising from a person complaining that he is aggrieved by the defacement, by litter or refuse, of road or land in accordance with section 91 of the Environmental Protection Act 1990;
324. giving notice under section 99 of the Environmental Protection Act 1990 that the Council has resolved to use the powers to seize and remove shopping trolleys, and exercising such powers under Schedule 4 of that act;
325. approving applications for waste action grants where the grant does not exceed £2,500;

Building Standards

326. submitting comments on relaxation applications determined by the Scottish Ministers;
327. signing certificates of evidence in relation to Sheriff Court procedures involving offences in terms of sections 8(2) and 21(5) of the Building (Scotland) Act 2003;
328. undertaking building standards assessments under section 6 of the Building (Scotland) Act 2003;
329. deciding on completion certificate submissions under section 18 of the Building (Scotland) Act 2003;
330. deciding on application under section 21(3) of the Building (Scotland) Act 2003 for a building to be temporarily occupied or used before a completion certificate under section 18 has been accepted;
331. deciding on the imposition of a continuing requirement in terms of section 22 of the Building (Scotland) Act 2003;
332. deciding on the discharge or variation of a continuing requirement in terms of section 23 of the Building (Scotland) Act 2003;
333. maintaining and administering a building standards register in terms of section 24 of the Building (Scotland) Act 2003;
334. serving enforcement notices in terms of sections 25, 26, 27, 28, 29, 30 and 42 of the Building (Scotland) Act 2003 and carrying out all consequential enforcement procedures;
335. signing certificates which certify the reason why occupants need to remove from a property as required by a notice under section 42 of the Building (Scotland) Act 2003;
336. processing section 50 certificates in relation to Building Standards in terms of the Licensing (Scotland) Act 2005;
337. granting or refusing applications for building warrants, amendments to warrants and extensions to the periods of validity of building warrants;

Floods, Reservoirs and Coasts

338. preparing, reviewing, updating and making available for inspection maps of relevant bodies of water and sustainable urban drainage systems (section 17 of the Flood Risk Management (Scotland) Act 2009);
339. assessing relevant bodies of water (other than canals) for the purpose of ascertaining whether the condition of any such body of water gives rise to a risk of flooding of land prepare schedules of inspection, clearance and repair works (section 18 of the Flood Risk

Management (Scotland) Act 2009);

340. preparing maps and responding to the Scottish Environmental Protection Agency ("SEPA") in accordance with section 19 of the Flood Risk Management (Scotland) Act 2009;
341. responding to consultations with SEPA in accordance with section 29 of the Flood Risk Management (Scotland) Act 2009 on the setting objectives and identification of measures under sections 27 and 29 of the Flood Risk Management (Scotland) Act 2009;
342. responding to consultations by SEPA in accordance with section 30(4)(c) of the Flood Risk Management (Scotland) Act 2009;
343. preparing local flood risk management plans to supplement the relevant flood risk management plan in accordance with section 34 of the Flood Risk Management (Scotland) Act 2009;
344. publishing a "draft supplementary part" of the local flood risk management plan as lead local authority in accordance with section 35 of the Flood Risk Management (Scotland) Act 2009 subject to the draft supplementary part being approved by Council or Committee;
345. responding to consultation by a lead local authority on the "draft supplementary part" of the local flood risk management plan in accordance with section 35 of the Flood Risk Management (Scotland) Act 2009;
346. publishing the local flood risk management plan as lead local authority in accordance with section 36(5) of the Flood Risk Management (Scotland) Act 2009 subject to the local flood risk management plan being approved by Council or Committee;
347. responding to consultation by a lead local authority on the finalising, publishing and reviewing of the local flood risk management plan in accordance with section 36 of the Flood Risk Management (Scotland) Act 2009;
348. reviewing the local flood risk management plan and, subject to Council or Committee approval, publish a report on the conclusions of the review in accordance with section 37 of the Flood Risk Management (Scotland) Act 2009;
349. publishing final reports in relation to the local flood risk management plan in accordance with section 38 of the Flood Risk Management (Scotland) Act 2009 subject to Council or Committee approval;
350. taking steps to co-operate with other local authorities where a local plan district covers more than one local authority's area with a view to assisting the preparation and review of the local flood risk management plan and the preparation of relevant reports in accordance with section 39 of the Flood Risk Management (Scotland) Act 2009;

351. taking steps to ensure the Council has regard to flood risk management plans in accordance with section 41 of the Flood Risk Management (Scotland) Act 2009;
352. providing SEPA and lead authorities with information and assistance in accordance with sections 43, 44, 45 and 46 of the Flood Risk Management (Scotland) Act 2009;
353. taking steps to secure appropriate consistence in the information contained in the plan with information contained in characterisations of river basin districts and river basin management plans in accordance with section 48(3) of the Flood Risk Management (Scotland) Act 2009;
354. sitting on the flood risk advisory group (section 49) and sub-district flood risk advisory group (section 50) on behalf of the Council in accordance with the Flood Risk Management (Scotland) Act 2009;
355. taking steps to do anything which (a) will contribute to the implementation of current measures described in any relevant local flood risk management plan, (b) is necessary to reduce the risk of a flood in the Council's area which is likely to occur imminently and have serious consequences for human health, the environment, cultural heritage or economic activity, or (c) will otherwise manage flood risk in the Council's area without affecting the implementation of the measures described in any relevant local flood risk management plan, all in accordance with sections 56, 57 and 58 of the Flood Risk Management (Scotland) Act 2009;
356. carrying out works which the Council has a duty to carry out under section 59 of the Flood Risk Management (Scotland) Act 2009;
357. responding to consultation by the Scottish Ministers on flood protection schemes (section 60(5) of the Flood Risk Management (Scotland) Act 2009);
358. giving notice of proposed flood protection schemes, and making copies of proposed flood protections schemes available for public inspection, in accordance with Schedule 2, Paragraphs 1 and 2 of the Flood Risk Management (Scotland) Act 2009;
359. confirming or rejecting proposed flood protections schemes (where there have been no objections received following notice to the public) in accordance with Schedule 2, Paragraph 4 of the Flood Risk Management (Scotland) Act 2009;
360. keeping registers of flood protections schemes in accordance with sections 62 and 63 of the Flood Risk Management (Scotland) Act 2009;
361. recovering expenses incurred from owners and occupiers of land if such expense is as a result of the actions of such owner or occupier in accordance with section 67 of the Flood Risk Management (Scotland) Act 2009;

362. responding to consultations on flood warnings in accordance with section 77 of the Flood Risk Management (Scotland) Act 2009;
363. entering into land for the purposes of section 79(2)(a) to (i) of the Flood Risk Management (Scotland) Act 2009;
364. serving notice of right of entry in accordance with section 81 of the Flood Risk Management (Scotland) Act 2009;
365. paying compensation to persons who have sustained damage in accordance with sections 82 and 83 of the Flood Risk Management (Scotland) Act 2009;
366. assisting SEPA with transitional arrangements in accordance with section 85 of the Flood Risk Management (Scotland) Act 2009;
367. reporting incidents occurring at reservoirs in accordance with section 88 of the Flood Risk Management (Scotland) Act 2009;
368. discharging the duty to consider the environmental impact of a proposed flood protections scheme in accordance with Part II of the Flood Risk Management (Flood Protection Scheme, Potentially Vulnerable Areas and Local Plan Districts) (Scotland) Regulations 2010;
369. offering relevant objectors (within the meaning of Paragraph 5(4) of Schedule 2 of the Flood Risk Management (Scotland) Act 2009) the opportunity to withdraw the objection in accordance with section 13 of the Flood Risk Management (Flood Protection Scheme, Potentially Vulnerable Areas and Local Plan Districts) (Scotland) Regulations 2010;
370. requesting the Scottish Ministers to direct planning permission for any development described in a flood protection scheme in accordance with section 14 of the Flood Risk Management (Flood Protection Scheme, Potentially Vulnerable Areas and Local Plan Districts) (Scotland) Regulations 2010;
371. serving notices or other documents to be sent, served or given under the Flood Risk Management (Flood Protection Scheme, Potentially Vulnerable Areas and Local Plan Districts) (Scotland) Regulations 2010 or the Flood Risk Management (Scotland) Act 2009 in accordance with section 15 of the Flood Risk Management (Scotland) Act 2009;
372. in relation to the Braid Burn flood prevention scheme and the Water of Leith prevention scheme (which were confirmed under the Flood Prevention (Scotland) Act 1961) carrying out the powers and duties of the Council, including paying compensation under section 11 of the Flood Prevention (Scotland) Act 1961;
373. exercising the duties and powers of the enforcement authority and all duties of the reservoir undertaker (with respect to all reservoirs owned by the Council) under the Reservoirs Act 1975;

- 374. exercising the duties and powers of the Council in accordance with the Reservoirs (Scotland) Act 2011; and
- 375. carrying out the duties and powers of the coast protection authority in accordance with the Coast Protection Act 1949.

City Strategy and Economy

- 376. developing and advising on policies, strategies, programmes and projects for approval by Council or Committee in relation to economic development, external relations and inward investment, including working in partnership with external organisations (both public and private) that deliver economic development activities (including making financial contributions to these activities where appropriate by way of a loan or grant in accordance with criteria approved by Committee);
- 377. performing the Council's functions in respect of the East of Scotland Investment Fund, including authorising loans subject to annual reporting to the Economy Committee;
- 378. awarding grants of up to £15,000 subject to annual reporting to the Economy Committee;
- 379. allocating space within property managed by Economic Development to relevant partners and agreeing the terms of such arrangements;
- 380. making changes to the opening hours of buildings managed by Economic Development as required for operational or budgetary reasons;
- 381. altering or waiving (in whole or in part) charges of hire of property managed by Economic Development where there are sound financial, operational or other justifiable reasons for doing so, subject to annual reporting to the Economy Committee;

Culture

- 382. devising and implementing cultural, heritage and events programmes;
- 383. organising museum and gallery exhibitions;
- 384. altering or waiving (in whole or in part) charges for hire of properties managed by the Director of Culture where there are sound financial, operational or other justifiable reasons for doing so;

385. agreeing in principle and instructing the Executive Director of Resources to conclude temporary leases of property managed by the Director of Culture;
386. allocating space within property managed by the Director of Culture to relevant partners and agreeing the terms of any such arrangements, taking advice as necessary from other service areas, and bringing those arrangements to conclusions as required;
387. making such changes to the opening hours of buildings operated by the Director of Culture as are required for operational and budgetary reasons;
388. awarding grants from the Director of Culture grant budgets subject to:
 - (a) a maximum grant on any one project of £5,000 to be reported to the appropriate Committee annually; and
 - (b) consultation with the appropriate convener and vice-convener;
389. monitoring arms' length organisations which operate Culture facilities or services, or both, on the Council's behalf, including the Festival City Theatres Trust;
390. accepting and rejecting gifts or bequests to the Council's museums and galleries;
391. lending any object in the Council's museum and gallery collections to any gallery, museum or exhibition in accordance with section 7 of the Edinburgh District Council Order Confirmation Act 1991;
392. making recommendations and taking action on the purchase of museum and gallery objects in accordance with Council Policy;
393. commenting on the impact of planning applications on Edinburgh's archaeology and historic environment in accordance with the Scottish Planning Policy (SPP) and accompanying Planning Advice Note (PAN 2/2011), and the Town and Country Planning (Development Management Procedure) (Scotland) Regulations 2008;
394. establishing Friends and other groups to support the work of the service area;

395. contributing up to £10,000 from the Jean F Watson Bequest trust funds to secure the purchase of any single work of art in accordance with the purposes of the trust, in consultation with the Convener of the Committee on the Jean F Watson Bequest;

396. buying individual items valued up to £1,000 for the Museum of Childhood collection using the Catherine E Cowper Trust's funds;

Public Safety

397. administering and issuing Safety Certificates and Special Safety Certificates, and carrying out inspection and enforcement duties relating to such certificates, for Designated Stadia and Regulated Stands in accordance with the Fire Safety and Safety of Places of Sports Act 1987, the Safety of Sports Grounds Act 1975 and the Safety of Places of Sports Regulations 1988; and

398. administering and issuing permits, and carrying out inspection and enforcement duties relating to such permits, for raised structures built to accommodate people under section 89 of the Civic Government (Scotland) Act 1982.

APPENDIX 6
DELEGATION TO THE HEAD OF SAFER AND STRONGER
COMMUNITIES/CHIEF SOCIAL WORK OFFICER

1. Carrying out the Council's duties as a landlord under section 30 of the Housing (Scotland) Act 1988.
2. Carrying out assessment to determine homelessness or the threat of homelessness and discharging the Council's duties in respect of those assessed as either being homeless or under threat of homelessness.
3. Carrying out spot purchases of accommodation, including bed and breakfast for homeless temporary accommodation or emergency accommodation.
4. Entering into leasing agreements with registered social landlords for homeless, temporary or emergency accommodation.
5. Carrying out repairs to white goods and furnishings in homeless, temporary or emergency accommodation and core furnished tenancies.
6. Kennelling pets for households staying in homeless, temporary or emergency accommodation.
7. Determine who receives housing support in line with Council policies.
8. Provide advice, guidance and assistance on debt, welfare rights and income maximisation.
9. undertaking housing offender management (sex and serious violent offenders);

APPENDIX 7

CHIEF PLANNING OFFICER

These are the functions referred to in paragraph 11 of the Scheme:

Planning policy

1. responding directly to consultations on development plans, planning applications, environmental assessments and planning guidance from neighbouring authorities at any stage in the process unless the Chief Planning Officer considers that:
 - (a) the consultation raises a significant planning issue (which may include transport and other infrastructure matters) for the Council which should be drawn to the attention of the consulting authority;
 - (b) the consultation raises a matter which is potentially controversial or likely to be of significant public interest; or
 - (c) the Council should formally object to a proposed development plan;
2. responding directly to planning related consultations from the Scottish Government and Government Agencies unless the Chief Planning Officer considers that:
 - (a) the consultation raises a significant planning issue for the Council Which should be drawn to the attention of the Scottish Government/Government Agency; or
 - (b) the consultation raises a matter which is potentially controversial or likely to be of significant public interest;
3. determining whether a qualifying plan, programme or strategy, which is being prepared or modified, requires environmental assessment in accordance with the Environmental Assessment (Scotland) Act 2005 and to undertake environmental assessment where necessary, including preparing an environmental report and carrying out consultations;

Local Development Plan Preparation

- 4 considering the Local Development Plan Report of Examination, save where:
 - (a) grounds set out in the Town and Country Planning (Grounds for Declining to Follow Recommendations) (Scotland) Regulations 2009 are engaged.
- 5 Publishing the Local Development Plan as modified after examination

Planning applications etc.

6. determining applications (including retrospective applications) for planning permission, planning permission in principle, approval of matters specified in conditions, listed building consent, conservation area consent and consent to display an advertisement, provided that:
- (a) the decision is in accordance with the statutory development plan (Strategic Development Plan and Local Development Plan);
 - (b)
 - (b) conditions added by the Development Management Sub-Committee are not removed or amended;
 - (c) where approval is recommended, not more than six material objections have been received from third parties except where the application is for listed building consent conterminous with an associated householder development;
 - (d) where approval is recommended and the application is for listed building consent conterminous with an associated householder development, not more than 20 material objections or a petition have been received from third parties;
 - (e) where refusal is recommended, not more than 20 material representations in support of the proposals have been received from third parties;
 - (f) where a petition has been submitted properly headed with material planning considerations, it has not more than 20 signatures of objection in relation to recommendations for approval and not more than 20 signatures of support in relation to recommendations for refusal, other than those cases relating to paragraph 6(d);
 - (g) Objections from statutory consultees, including community councils, are resolved in relation to applications recommended for approval and there are no outstanding support comments from community councils in relation to applications recommended for refusal.
 - (h) the application does not fall within the definition of national developments as set out in the Town and Country Planning (Hierarchy of Developments) (Scotland) Regulations 2009;
 - (i) where the application falls within the definition of local development as set out in the Town and Country Planning (Hierarchy of Developments) (Scotland) Regulations 2009 but is not subject to the terms of the Council's statutory scheme of delegation for local developments;

- (j) there is no legal agreement required in connection with the application where the financial value of the matters secured in the agreement will be in excess of, or estimated to be in excess of, £250,000, or where by virtue of any policy or non-statutory guidance on developer contributions there is a requirement to be met and, for whatever reason, that requirement is not being fully met;
- (k) no elected member has requested referral of the application to the Development Management Sub-Committee for material planning reasons, within 21 days, as set out in the relevant guidance note for elected members;
- (l) the application is not submitted by, or on behalf of, the Council (except for the approval of routine minor developments);
- (m) the application is not submitted by, or on behalf of, an elected member of the Council or by his/her partner, close

friend or relative;

- (n) the application is not submitted by, or on behalf of, an officer involved in the statutory planning process, or by their partner, close friend or relative;
- (o) the application is not for Hazardous Substance Consent;
- (p) the Chief Planning Officer does not consider the application to be controversial or of significant public interest, or as having a significant impact on the environment; and
- (q) the application does not meet the criteria approved by the Planning Committee for a hearing by the Development Management Sub-Committee;

7. determining applications for certificates of lawful use or lawful development under sections 150 and 151 of the Town and Country Planning (Scotland) Act 1997 and applications for certificates of appropriate alternative development, provided that:

- (a) the application does not raise a significant planning matter, leading to advice to refuse or to object;
- (b) the Chief Planning Officer does not consider the application to be potentially controversial, or likely to be of significant public interest, or as having a significant impact on the environment;
- (c) the application does not fall within the definition of national developments as set out in the Town and Country Planning (Hierarchy of Developments) (Scotland) Regulations 2009;
- (d) no elected member has requested referral of the application to the Development Management Sub-Committee for material planning reasons, within 21 days, as set out in the relevant guidance note for elected members;
- (e) the application is not submitted by, or on behalf of, the Council (except for the approval of routine minor developments);
- (f) the application is not submitted by, or on behalf of, an elected member of the Council or by his/her partner, close friend or relative;
- (g) the application is not submitted by, or on behalf of, an officer involved in the statutory planning process, or by their partner, close friend or relative; and
- (h) the application does not meet the criteria approved by the Planning Committee for a hearing by the Development

Management Sub-Committee;

8. determining whether or not an application for planning permission will need to be accompanied by an Environmental Impact Assessment Report and responding to requests for any associated scoping opinion;
9. issuing an opinion in respect of a Pre-Application Screening request;
10. deciding whether the method of consultation is acceptable or more is needed in respect of a Proposal of Application Notice;
11. deciding whether or not to decline to determine a repeat application for planning permission in any of the circumstances set out in Section 39 of the Town and Country Planning (Scotland) Act 1997;
12. signing a processing agreement in respect of a major application as defined in the hierarchy of development;
13. promoting a direction altering the duration of a planning consent;
14. determining whether a change to a granted planning application is material or not or whether changes are substantial;
15. deciding whether or not full details of a proposed agricultural building require to be submitted;
16. deciding whether or not full details of a proposed forestry building require to be submitted;
17. deciding whether or not full details of proposed buildings by gas and electricity undertakings, solely for the protection of plant and machinery, are required;
18. deciding whether or not, in the case of proposed demolition of residential property, to require a formal submission;
19. deciding whether or not, in the case of proposed toll facilities on toll roads, to require a detailed submission;
20. determining painting and sundry minor works requiring permission by reason of an Article 4 Direction;
21. determining that alterations to a listed building do not require Listed Building Consent
22. determining whether works or a change of use constitute permitted development;
23. determining the display of advertisements;

Enforcement action

24. acting as proper officer in terms of the signing and service of decision notices, enforcement notices and related notices under section 193 of the Local Government (Scotland) Act 1973 and appointing appropriate

officers to prepare, sign and serve such notices on his behalf;

25. initiating, progressing and concluding enforcement action, interdict action or direct action in connection with the following, provided that any significant case, or cases where it is in the public interest to do so, shall be reported to the Development Management Sub-Committee for consideration:

- (a) Planning Contravention Notices;
- (b) Enforcement Notices, including those relating to listed building and advertisements;
- (c) advertisement discontinuation procedures;
- (d) reporting to the procurator fiscal;
- (e) Breach of Condition Notices;
- (f) Amenity Notices;
- (g) Stop Notices;
- (h) Temporary Stop Notices;
- (i) Fixed Penalty Notices;
- (j) Hazardous Substances Contravention Notices;
- (k) Tree Replacement Notices;
- (l) prosecution in respect of the above as necessary and the giving of evidence in court; and
- (m) powers of entry;

26. carrying out the following functions provided that any significant cases, or cases where it is in the public interest to do so, are reported to the Development Management Sub-Committee for consideration:

- (a) withdrawing, relaxing, or varying an enforcement notice (section 129 of the Town and Country Planning (Scotland) Act 1997);
- (b) undertaking work required by an enforcement notice and recovering the costs (section 135 of the Town and Country Planning (Scotland) Act 1997);
- (c) serving notices in case of compliance or non-compliance with planning consent (section 145 of the Town and Country Planning (Scotland) Act 1997);
- (d) lodging an interdict restraining a breach of planning control to the Court of Session/Sheriff Court (section 146 of the Town and Country Planning (Scotland) Act 1997);
- (e) undertaking work required by non-compliance with a listed building enforcement notice (Town and Country Planning

(Scotland) Act 1997 and section 38 of the Town and Country Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997);

- (f) serving section 270 Notices and Planning Contravention Notices;
- (g) determining whether or not it is expedient to take no further action in respect of a breach of control, having regard to the provisions of the development plan and other material planning considerations;
- (h) after the service of a notice, taking all necessary subsequent steps to bring the matter to an acceptable conclusion;
- (i) instituting any necessary action to remove or obliterate placards or posters which are displayed in contravention of the Town and Country Planning (Control of Advertisements) (Scotland) Regulations 1984 and the Town and Country Planning (Scotland) Act 1997;
- (j) undertaking and enforcing the procedures requiring developers to inform the Council of the initiation and completion of developments and in relation to the display of notices indicating the development being carried out; and
- (k) issuing and enforcing notices requiring the owner of land, where planning permission has not been granted but development has been carried out, to make an application for planning permission;

Landscape

- 27. making provisional Tree Preservation Orders (with the Planning Committee approving the final order taking into account objections or representations received);
- 28. authorising or refusing the felling, pruning, topping, lopping of trees or the carrying out of other prohibited works to trees protected by Tree Preservation Orders (including the imposition of replanting conditions as appropriate);
- 29. determining notifications for the felling, pruning, topping, lopping of trees or the carrying out of other prohibited works to trees in conservation areas;
- 30. serving, progressing, and concluding actions in respect of tree replacement notices, including any necessary follow up direct action;
- 31. investigating unauthorised works to protected trees and reporting offences to the Procurator Fiscal where considered appropriate;
- 32. considering and determining all applications in respect of high hedge notices, taking any subsequent enforcement or other action and

exercising powers of entry and other supplementary powers in accordance with the High Hedges (Scotland) Act 2013 provided that any significant cases, or cases where it is in the public interest to do so, are reported to the Development Management Sub-Committee for consideration;

Appeals

33. determining what response should be made to the Directorate of Planning and Environmental Appeals in the case of appeals submitted in respect of the non-determination of an application and where the application could otherwise have been dealt with under delegated powers;

Legal Agreements

34. entering into a legal agreement with a developer, provided that:

- (a) the agreement complies with the terms of government guidance, relevant development plan policies and supplementary guidance on developer contributions; and
- (b) does not involve a financial sum or other contributions of a value exceeding £250,000;

35. entering into a discharge of a legal agreement granting partial or full discharge of the relevant party's obligations on the due performance by that party of such obligations;

36. modifying a legal agreement with the relevant party provided that:

- (a) the terms of the modifications comply with the terms of government guidance, relevant development plan policies and supplemental guidance on developer contributions; and
- (b) it does not involve reducing the financial sum or other contributions in the legal agreement;

37. extending the six month period for concluding a legal agreement to nine months, provided meaningful progress is being achieved

Miscellaneous

38. authorising Powers of Entry to land for any purpose (especially surveying) relating to the preparation of a development plan and general planning controls (sections 269 & 270 of the Town and Country Planning (Scotland) Act 1997);

39. allocating new street numbers and, in consultation with the appropriate local ward councillors, changing street numbers and naming new streets;

40. requiring proper maintenance of land affecting listed buildings or

conservation areas and to undertake necessary work and recover costs

in cases of non-compliance (sections 135 and 179 of the Town and Country Planning (Scotland) Act 1997 and the Town and Country Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997); and

Flooding

41. requesting advice from SEPA as to flood risk under section 72 of the Flood Risk Management (Scotland) Act 2009.

APPENDIX 8**STATUTORY FUNCTIONS AND STATUTORY OFFICERS**

<u>Statutory Function</u>	<u>Legislation</u>	<u>Officer</u>
Agricultural Analyst/Depute Agricultural Analyst	section 67(3) of the Agriculture Act 1970	Scientific Bereavement and Registration Service Senior Manager and Operation Manager – Public Analyst
Assessor	section 27 of the Local Government etc. (Scotland) Act 1994	Assessor of the Lothian Valuation Joint Board
Chief Inspector of Weights and Measures	section 72 of the Weights and Measures Act 1985	Licensing and Trading Standards Service Manager
Inspector of Weights and Measures	Section 72 of the Weights and Measures Act 1985	Certain officers appointed by the Chief Inspector of Weights and Measures from time to time.
Chief Social Work Officer	Social Work (Scotland) Act 1968	Chief Social Work Officer
Chief Education Officer	Education (Scotland) Act 2016	Chief Education Officer
Counting Officer	Parties, Elections and Referendums Act 2000	Chief Executive
Data Protection Officer	37-39 of General Data Protection Regulations	Information Governance Manager
Dog Catcher	section 149 of the Environmental Protection Act 1990	Dog Warden
Food Examiner	Section 30 of the Food Safety Act 1990	Scientific Bereavement and Registration Service Senior Manager and Operation Manager – Public Analyst

Head of Paid Service	section 4(1) of the Local Government and Housing Act 1989	Chief Executive
Mental Health Officers	section 32 of the Mental Health (Care and Treatment)(Scotland) act 2003	Certain social workers as appointed by the Chief Social Work Officer from time to time.
Monitoring Officer	section 5(1) of the Local Government and Housing Act 1989	Head of Legal and Risk
Public Analyst	sections 27 and 30 of the Food Safety Act 1990	Scientific Bereavement and Registration Service Senior Manager and Operation Manager – Public Analyst
Registrar of Births, Deaths and Marriages	section 7 of the Registration of Births, Deaths and Marriages (Scotland) Act 1965	Chief Registrar/ Registration Services Manager
Returning Officer	Sections 25 and 41 of the Representation of the People Act 1983	Chief Executive

APPENDIX 9
PROPER OFFICER FUNCTIONS

<u>Proper Officer Function</u>	<u>Legislation</u>	<u>Officer</u>
Declaration of acceptance of office	section 33A of the Local Government (Scotland) Act 1973	Head of Strategy and Insight
Resignation of office by a member	section 34 of the Local Government (Scotland) Act 1973	Head of Strategy and Insight
Circulating reports and agendas, supplying papers to the press and, where necessary, providing summaries of minutes	sections 50B(2), 50B(7) and 50C(2) of the Local Government (Scotland) Act 1973	Head of Strategy and Insight
Compilation of background papers for inspection	section 50D of the Local Government (Scotland) Act 1973	All Executive Directors, Chief Executive and Head of Safer and Stronger Communities/ CSWO
Members' rights of access to documents which enclose "exempt information"	section 50F(2) of the Local Government (Scotland) Act 1973	Chief Executive
Transfer of securities on alteration of area etc.	section 92 of the Local Government (Scotland) Act 1973	Executive Director of Resources
Financial Administration	section 95 of the Local Government (Scotland) Act 1973	Head of Finance
Education endowments	section 128 of the Local Government (Scotland) Act 1973	Head of Legal and Risk
Ordnance Survey	section 145 of the Local Government (Scotland) Act 1973	Executive Director of Resources

Service of legal proceedings etc.	section 190 of the Local Government (Scotland) Act 1973	Head of Legal and Risk
Claims in sequestrations and liquidations	section 191 of the Local Government (Scotland) Act 1973	Executive Director of Resources
Authentication of documents and execution of deeds	sections 193 and 194 of the Local Government (Scotland) Act 1973 and the Requirements of Writing (Scotland) Act 2005	Executive Director of Resources and Head of Legal and Risk
Inspection and deposit of documents	section 197 of the Local Government (Scotland) Act 1973	Executive Director of Resources and Head of Legal and Risk
Procedure for byelaws	sections 202 and 204 of the Local Government (Scotland) Act 1973	Executive Director of Resources and Head of Legal and Risk
Roll of honorary freemen	section 206 of the Local Government (Scotland) Act 1973	Head of Strategy and Insight
Notice of Meeting	Schedule 7 of the Local Government (Scotland) Act 1973	Head of Strategy and Insight
Politically restricted posts	section 2 of the Local Government and Housing Act 1989	Executive Director of Resources
Maintaining the register of members' interests	Regulation 6 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations 2003	Head of Strategy and Insight

APPENDIX 10
LIST OF LEGISLATION

Part A

1. Animal Boarding Establishments Act 1963;
2. Animal Health and Welfare (Scotland) Act 2006;
3. Breeding of Dogs Act 1973;
4. Cinemas Act 1985;
5. City of Edinburgh District Council Order Confirmation Act 1991;
6. Civic Government (Scotland) Act 1982;
7. Dangerous Wild Animals Act 1976;
8. Deer (Scotland) Act 1996;
9. Housing (Scotland) Act 2006;
10. Hypnotism Act 1952;
11. Performing Animals (Regulation) Act 1925;
12. Pet Animals Act 1951;
13. Petroleum (Transfer of Licences) Act 1936;
14. Riding Establishments Acts 1964 and 1970;
15. Theatres Act 1968; and
16. Zoo Licensing Act 1981.

Part B

1. Accommodation Agencies Act 1953;
2. Agriculture Produce (Grading and Marking) Acts 1928 and 1931;
3. Agriculture Act 1970;
4. Agriculture (Miscellaneous Provisions) Act 1968;

5. Animal Boarding Establishments Act 1963;
6. Animal Health Act 1981;
7. Animal Health and Welfare (Scotland) Act 2006;
8. Breeding and Sale of Dogs (Welfare) Act 1999;
9. Breeding of Dogs Act 1973 and 1991;
10. Burial Grounds (Scotland) Act 1855;
11. Children and Young Persons (Protection from Tobacco) Act 1991;
12. Church of Scotland (Property and Endowment) Act 1925;
13. Cinemas Act 1985;
14. Civic Government (Scotland) Act 1982;
15. Civil Partnership Act 2004;
16. Clean Air Act 1993;
17. Control of Dogs (Scotland) Act 2010;
18. Consumer Credit Act 1974;
19. Consumer Protection Act 1987;
20. Cremation Acts 1902 and 1952;
21. Cremation (Scotland) Amendment Regulations 2003;
22. Dangerous Wild Animals Act 1976;
23. Development of Tourism Act 1969 (sections 17 and 18);
24. Dog Fouling (Scotland) Act 2003;
25. Education Reform Act 1988 (section 215);
26. Energy Conservation Act 1981 (section 20);
27. Environment and Safety Information Act 1988;
28. Estate Agents Act 1979;

29. European Communities Act 1972 (section 2(2));
30. Explosives Act 1875 (sections 74 and 78);
31. Fair Trading Act 1973;
32. Food and Environment Protection Act 1985 (sections 19(1B) and (1C));
33. Hallmarking Act 1973;
34. Housing (Scotland) Act 1987, Parts IV, V, VII and VIII
35. International Health Regulations 2005;
36. Marriage (Approval of Places) (Scotland) Regulations 2002;
37. Marriage (Scotland) Act 1977;
38. Medicines Act 1968;
39. Performing Animals (Regulation) Act 1925;
40. Pet Animals Act 1951;
41. Petroleum (Consolidation) Act 1928 (section 17);
42. Poisons Act 1972;
43. Prevention of Damage by Pests Act 1949;
44. Prices Act 1974 and 1975;
45. Private Rented Housing (Scotland) Act 2011;
46. Property Misdemeanors Act 1991;
47. Public Health (Aircraft) (Scotland) Regulations 1971;
48. Public Health (Ships) (Scotland) Regulations 1971;
49. Rent (Scotland) Act 1984;
50. Road Traffic (Vehicle Emissions) (Fixed Penalty) (Scotland) Regulations 2003);
51. Sewerage (Scotland) Act 1968;

52. Single Use Carrier Bags Charge (Scotland) Regulations 2014;
53. Telecommunications Act 1984 (section 30);
54. Theatres Act 1968;
55. Timeshare Act 1992;
56. Trade Descriptions Act 1968;
57. Trade Marks Act 1994;
58. Video Recordings Acts 1984 and 1993;
59. Water (Scotland) Act 1980;
60. Water Services etc. (Scotland) Act 2005;
61. Weights and Measures Act 1985

APPENDIX 5

1. Status and Statutory Responsibility

- 1.1 These regulations are made under section 95 of the Local Government (Scotland) Act 1973.
- 1.2 Section 95 states that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority (termed the Section 95 Officer) has responsibility for the administration of those affairs.
- 1.3 The Local Authority Accounts (Scotland) Regulations 1985 further specify that the system of accounting and control and the form of the accounts and supporting records are to be determined by the Section 95 Officer and that s/he is to ensure that accounting controls are observed and the accounts and supporting records are kept up to date. S/he is also responsible for publishing the Annual Accounts of the Council and for making the arrangements for the statutory audit required by s96 of the 1973 Act.
- 1.4 The City of Edinburgh Council has designated the Head of Finance as the Section 95 Officer and therefore as the officer responsible for the administration of the Council's financial affairs in terms of section 95 of the 1973 Act.
- 1.5 The Head of Finance 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 Funds' Chief Finance Officer in accordance with the arrangements set out in the addendum to this document.
- 1.6 Following the establishment under the Public Bodies (Joint Working) Act 2015 of an Edinburgh-area Health and Social Care Integration Joint Board (EIJB), [a separate set of financial regulations](#), drawing on similar principles of sound governance, has been produced. Along with the related financial directives, these regulations form the basis upon which the Chief Financial Officer of the EIJB will discharge equivalent proper officer responsibilities for the Board.
- 1.7 A more detailed set of Finance Rules, which prescribe the procedures to be followed, has also been prepared. While these rules and other relevant procedures and policies are not contained within these financial regulations, they are issued under their authority and have the same status as if they were included in the body of these regulations.
- 1.8 The Head of Finance will establish a programme of review for all relevant documents and report the outcome of this review to the

Finance and Resources Committee on an annual basis. Executive Directors and officers may also seek the issue, amendment, clarification or supplementing of the regulations, finance rules or associated procedures and policies for any areas of responsibility not previously addressed.

- 1.9 Any breach or non-compliance with these regulations or the associated finance rules, procedures or policies issued under their authority must be reported immediately to the Head of Finance, who may consult others as s/he sees fit to determine the proper action.

2. Application

- 2.1 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, equitably and ethically. The Council's activities are furthermore guided by a set of underlying principles and responsibilities fostering openness, integrity and accountability.
- 2.2 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 exercising of its functions including arrangements for managing risk.
- 2.3 As a consequence of these responsibilities, the Council must regulate the actions taken on its behalf that carry financial implications to provide assurance of their propriety and consistency. It is furthermore a requirement of these regulations that all financial transactions are within the legal powers of the Council. These Financial Regulations thus form a key element of the maintenance of a robust, clear and accountable governance framework for the Council.

3. Responsibilities and Observance

3.1 Chief Executive

- 3.1.1 The Chief Executive, as statutory Head of Paid Service, has authority over all officers and is authorised to discharge any function or exercise any power delegated to any officer under the Council's Scheme of Delegation. As the officer charged with overall responsibility for the corporate management and operational functions of the Council, this includes putting in place suitable arrangements to ensure an efficient use of resources.
- 3.1.2 The Council's Scheme of Delegation to Officers sets out the powers delegated to officers pursuant to the Local Government (Scotland) Act 1973. As noted in paragraph 1.4, the Head of Finance has been

designated the Council's Section 95 Officer responsible for the administration of the Council's financial affairs.

3.2 Role of the Head of Finance

3.2.1 The Head of Finance, as the Council's Section 95 officer, is responsible for advising the Council on all financial matters and for monitoring and reporting on its financial performance and position.

3.3 Executive Directors

3.3.1 Executive Directors are responsible for establishing sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and meeting associated financial targets. In doing so, they should also have due regard to sustainability and equalities considerations.

3.3.2 Executive Directors are fully responsible and accountable for the financial performance of their service area against the budget allocated. They may incur revenue expenditure in furtherance of agreed Council policies only to the extent that budgetary provision has been made.

3.3.3 As part of ensuring the overall sustainability of the Council's financial planning and management arrangements, Executive Directors also have a responsibility to review their respective budgets on an on-going basis. This includes the active monitoring and management of service pressures, delivery of approved savings and application of approved service investment, particularly in cases where this investment is targeted towards delivery of longer-term savings. The Head of Finance, as the Section 95 officer, may request that Executive Directors report to Council during the year on measures being taken to ensure expenditure is contained within approved levels.

3.3.4 Executive Directors are further charged with the implementation of the risk management policy and associated operational arrangements for the control and mitigation of risk in their service areas and for ensuring its effectiveness and review.

3.3.5 Paragraphs 3.2 and 3.3 of the Scheme of Delegation provide that:

- (a) In the event that the Executive Director or Head of Service/Chief Social Work Officer (where relevant) is unavailable, his/her designated deputy or the head of the relevant service will have delegated authority to take urgent decisions in the absence of the Executive Director;
- (b) Executive Directors or the Head of Service/Chief Social Work Officer (where relevant) may sub-delegate their delegated powers

to their deputy(ies) or head(s) of service or such other officer(s) in their service area as they may consider appropriate.

3.3.6 With the exception of urgent decisions, which must be taken in accordance with the Scheme of Delegation, authority to discharge financial-related responsibilities must be delegated formally in writing. This requirement applies to delegations of authority for financial matters by all levels of management.

3.3.7 Executive Directors will formally report major financial issues to the Chief Executive and Head of Finance, who will instruct appropriate action.

3.4 Internal Audit and Risk Management

3.4.1 The Head of Legal and Risk, through the Chief Internal Auditor, shall arrange for a continuous internal audit function, to carry out an examination of accounting, financial and other operations of the Council, through undertaking a risk-based audit plan, complying with the Public Sector Internal Audit Standards (PSIAS). The Chief Risk Officer will also oversee the development and implementation of an appropriate risk management policy and associated operational arrangements.

3.4.2 It is the Chief Internal Auditor's responsibility to put in place appropriate arrangements to provide the Chief Executive, Executive Directors, Head of Finance and elected members with an annual assurance statement on compliance with Financial Regulations and the Local Code of Corporate Governance.

3.5 Elected Members

3.5.1 Elected members' responsibilities with regard to financial matters reflect a number of facets, including:

- (a) Setting the authority's financial strategy, including budget-setting;
- (b) Setting the authority's strategic direction and overseeing arrangements for the securing (and demonstration) of best value;
- (c) Ensuring proper control is exercised over the authority's expenditure through scrutiny of periodic financial reports comparing expenditure with the level of budgetary provision;
- (d) Holding senior officers to account with regard to discharging all relevant financial responsibilities within their control; and
- (e) Encouraging the development of service targets/performance measurements of a financial/non-financial nature to monitor service achievements.

3.5.2 In this regard, the respective remits and key functions of Council, the Governance, Risk and Best Value Committee, the Finance and Resources Committee and other Executive Committees are set out in the Council's Committee Terms of Reference and Delegated Functions.

3.6 External Audit

3.6.1 The external audit of the Council seeks to assess the extent to which the stewardship of its financial affairs is subject to a regime of accountability where monies are properly accounted for, safeguarded and used economically, efficiently and effectively. The scope of this audit is wider than that of the private sector equivalent, encompassing coverage of the financial statements, regularity, propriety and best value, including the securing of value for money. At present, this role is undertaken on the Accounts Commission's behalf by Scott-Moncrieff.

4. Principles and Key Areas of the Control Framework

4.1 Financial Management

4.1.1 The Head of Finance will, in conjunction with the relevant Executive Director, provide to all Executive Committees (including the Finance and Resources Committee) and the Governance, Risk and Best Value Committee regular monitoring reports, including reports on the final outturn, together with any recommendations.

4.2 Financial Control

4.2.1 As noted at 1.3, The Local Authority Accounts (Scotland) Regulations 1985 require that the system of accounting and control, and the form of the accounts and supporting records, should be defined by the Head of Finance, who will ensure that the system is adhered to and that the accounts and supporting records are kept up to date.

4.2.2 The Regulations also require the Head of Finance to submit the Abstract of Accounts to the Council (or an appropriate Executive Committee) and the Council's external auditor by the prescribed dates. The Head of Finance is responsible for ensuring that the accounts are produced in compliance with existing legal and accounting requirements.

4.2.3 Executive Directors are required to provide all relevant information to the Head of Finance in accordance with the instructions issued annually.

4.2.4 As the officer who is statutorily responsible for all financial matters the Head of Finance will implement procedural controls to ensure that:

- (a) All expenditure is a valid charge;
- (b) Income owed is collected;
- (c) Assets are protected;
- (d) Liabilities are accounted for; and
- (e) Financial reports are prepared.

4.3 Risk Management and Internal Control

4.3.1 In accordance with the Head of Finance's responsibility for financial control and the Local Code of Corporate Governance's requirements for the effective management of risk, the Head of Finance has approved financial rules to address these matters.

4.4 Systems and Procedures

4.4.1 **Accounting Arrangements**

4.4.1.1 The following will be carried out according to procedures and instructions issued by the Head of Finance:

- (a) Preparation of the statutory Abstract of Accounts; and
- (b) Production of financial information in Council strategic plans, including estimated revenue and capital expenditure.

4.4.1.2 All financial records, systems and any changes thereto are subject to the written approval of the Head of Finance following consultation with Executive Directors.

4.4.1.3 The following principles must be observed in the allocation of accounting duties:

- (a) The duties of providing information regarding sums owed to or by the Council, and calculating, checking and recording these sums must be separated as completely as possible from the duty of collecting or disbursing them;
- (b) Officers responsible for examining and directing accounts of cash transactions cannot be engaged in any of these transactions;
- (c) All checking and authorisation undertaken by officers must be evidenced by initials or signature, whichever is appropriate;
- (d) All claims, returns or written submissions relating to grants and financial data must be submitted to the Head of Finance for

approval prior to entering into any contracts under delegated authority; and

- (e) Financial records, including contract documents for work done, services and supplies, may only be disposed of in accordance with arrangements approved by the Head of Finance.

4.4.2 **Revenue Budgets**

4.4.2.1 Executive Directors are required to prepare revenue estimates in accordance with guidance issued by the Head of Finance. Such estimates will be supported by an integrated impact assessment, where relevant. The Head of Finance will assist Executive Directors to prepare financial information for inclusion in the revenue estimates. The Council's Strategy and Insight service will assist, as necessary, Executive Directors to prepare integrated impact assessments. Where applicable, consideration must also be given to the carbon, climate change adaptation and sustainable development impacts of budget proposals, on which relevant specialists can provide additional advice. When the revenue estimates have been approved by Council, they become the "Revenue Budget".

4.4.2.2 The Head of Finance will prepare a financial context report for the Finance and Resources Committee for the next and future years. The Finance and Resources Committee will then remit the report to Council and may make recommendations to Council on setting Council Tax and rent for Council houses for the next financial year and, where applicable, on indicative figures for future years.

4.4.2.3 After considering the report and any recommendations, Council shall approve the allocation of resources, authorise the spending and set the Council Tax, rent for Council houses and relevant fees and charges for the following financial year at a meeting before 11th March each year.

4.4.2.4 The Head of Finance will determine what constitutes revenue expenditure and the relevant accounts in which transactions should be recorded.

4.4.3 **Capital Budgets**

4.4.3.1 Executive Directors are required to prepare capital estimates, including carbon impact assessments, in accordance with guidance issued by the Head of Finance. When the capital estimates have been approved by Council, they become the "Capital Investment Programme".

4.4.3.2 The Head of Finance will determine what constitutes capital expenditure and the relevant accounts in which transactions must be recorded.

4.4.3.3 Capital estimates must be submitted for scrutiny by the Finance and Resources Committee, whose recommendations will be referred to the Council for approval.

4.4.4 **Reporting Requirements**

4.4.4.1 All Council and committee reports are required to include a statement of the financial consequences of the proposals for current and future years. The range of relevant considerations will vary from report to report but [a summary of the principal areas concerned](#) was reported to the Governance, Risk and Best Value Committee in December 2012. Guidance on completion of the financial implications section of Committee reports is also provided within Section 7 of [the Council's report writing and committee template information pack](#).

4.4.4.2 Where applicable, following approval at the Finance and Resources Committee in January 2014, commentary should also be included to cover (i) the associated revenue budget (i.e. loans charge) impact of capital expenditure proposals and/or changes and (ii) a summary of costs incurred by the Council in the procurement process for the goods and/or services forming the subject of that report. Further advice on requirements in each of these areas is available from the Corporate Finance Senior Manager.

4.4.4.3 In the event that reports do not meet the above requirement, or insufficient time is allowed for them to be properly considered, the Head of Finance may request that the Executive Director or other officer submitting the report withdraws it from the Council or committee agenda.

4.4.4.4 The Head of Finance, in conjunction with Executive Directors, is required to submit detailed quarterly monitoring reports to the Finance and Resources Committee, other relevant executive committee(s) and the Governance, Risk and Best Value Committee. These reports will compare actual expenditure to date with the budget position, project the expenditure outturn for revenue and capital expenditure, provide an overview of progress in delivering approved savings and managing service risks and pressures and report key service issues including – where relevant – the equality and rights impact of any changes. The Head of Finance will specify the format of such monitoring reports.

4.4.4.5 The Head of Finance may give such direction to Executive Directors as to measures to be taken in relation to the revenue budget or the capital investment programme during the remainder of the financial year as may be necessary or advisable in the circumstances prevailing.

4.4.4.6 The Head of Finance may also make recommendations to Council as may be necessary or advisable in the circumstances prevailing.

4.4.5 **Spending, Supplementary Estimates and Transferring Funds**

4.4.5.1 No Executive Director or officer to whom budgetary responsibilities have been delegated may allow spending, whether revenue or capital, to exceed budget.

4.4.5.2 No Executive Director or officer to whom budgetary responsibilities have been delegated may incur any expenditure unless:

(a) It is a revenue expense which has been approved as part of the revenue budget under 4.4.2 of these Financial Regulations; or

(b) It is a capital expense which has been approved as part of the Capital Investment Programme under 4.4.3 of these Financial Regulations, or any separate Act of Council and, where necessary, a tender or quotation has been received under Contracts Standing Orders; or

(c) The expense has been authorised under the remaining subparagraphs of paragraph 4.4.5 of the Financial Regulations.

4.4.5.3 The Finance and Resources Committee may transfer money within the revenue budget to either existing or new projects, but:

(a) If this will change approved Council policy, a report must be submitted to Council for approval before the transfer can be actioned; and

(b) If the transfer will affect future years' revenue budgets, a report detailing the effect on future budgets must be submitted to Council for approval before the transfer can be actioned.

4.4.5.4 The Finance and Resources Committee may transfer money within the Capital Investment Programme to either new or existing projects as may be necessary or advisable in the circumstances prevailing, but:

(a) If this will change approved Council policy, a report must be submitted to Council for approval before the transfer can be actioned;

(b) If the transfer will affect future years' capital or revenue budgets, a report detailing the effect on future budgets must be submitted to Council for approval before the transfer can be actioned;

(c) Where capital grant is provided for a specific project, no transfer to alternative projects is permitted without the consent of the Scottish Government or other external grant provider.

In the case of both revenue and capital transfers, any equality and rights impacts of the proposed changes must also be considered.

4.4.5.5 The Head of Finance may, from time to time, issue detailed instructions on the transfer of monies within and / or between service area revenue budgets.

4.4.5.6 If an Executive Director:

(a) Proposes to incur revenue or capital spending that is not included in the revenue budget or capital investment programme approved by Council or to reduce income provided in that way; and

(b) Does not propose to pay for the spending by reallocating existing funding,

the Executive Director must seek a supplementary estimate.

4.4.5.7 S/he must report to the Finance and Resources Committee with an assessment of the financial spending consequences for the current and future years and, where relevant, the equality and rights impact of the changes. In the case of revenue expenditure, this appraisal should include identification of the budget head(s) to be reduced in future years. If the Finance and Resources Committee agrees, it will submit a recommendation to Council.

4.4.5.8 The Head of Finance must agree before a proposal for transfer or supplementary estimate is reported to the Finance and Resources Committee.

4.4.5.9 Executive Directors, in consultation with the Convener of the appropriate executive committee for the service, may submit a request for expenditure of an emergency nature. In such circumstances, the expenditure concerned may be incurred on the authorisation of the Head of Finance, in consultation with the Convener of the Finance and Resources Committee. The Executive Director requesting the expenditure shall arrange for the matter to be reported to the Finance and Resources Committee.

4.4.5.10 Other than contractual liabilities, Executive Directors are not permitted to incur revenue expenditure until the relevant financial year has commenced.

4.4.6 **Final Accounts**

4.4.6.1 Executive Directors are required to provide all relevant information to the Head of Finance in accordance with the instructions issued annually by him/her.

4.4.6.2 The Head of Finance will report the Council's final expenditure outturn with recommendations for appropriations to the Finance and Resources Committee.

4.4.7 **Internal Audit**

4.4.7.1 The Chief Internal Auditor will make appropriate arrangements to review, appraise and report on:

- (a) The adequacy of internal control as an indication of probity and contribution to the economic, efficient and effective use of resources;
- (b) Compliance with approved policies, plans and procedures, including those with a significant impact on, or strong relevance to, equality and rights;
- (c) The extent to which assets are accounted for and safeguarded from losses arising from theft, fraud, waste, inefficient administration and poor value for money;
- (d) The suitability and reliability of management data;
- (e) Service managers' effectiveness in achieving value for money.

4.4.7.2 The Chief Internal Auditor has authority, subject to necessary, prior consultations, to:

- (a) Enter all Council premises or land at any reasonable time and have access to all records, documents and correspondence relating to financial or other matters. This access extends to Council Officers and elected members as necessary;
- (b) Require and receive such explanations as are necessary concerning any matter under examination; and
- (c) Require employees to produce cash, stores or other Council property under their control.

4.4.7.3 If elected members or staff discover or suspect any fraud or irregularity that affects the Council, they must immediately inform the Chief Internal Auditor who will arrange for an investigation to be conducted if appropriate. In so doing, attention is drawn to the provisions and arrangements included in the Council's Public Interest Disclosure ([Whistleblowing](#)), [Anti-Fraud, Anti-Bribery](#) and [Anti-Money Laundering](#) policies.

4.4.8 **Risk Management**

4.4.8.1 The Head of Legal and Risk, in consultation with the Chief Risk Officer, is responsible for preparing the risk management policy and associated operational arrangements.

4.4.8.2 Executive Directors are responsible for establishing effective internal controls to mitigate risk and documenting these controls and their application formally. In accordance with the risk management strategy, all officers have a role in the identification of risks as they affect their service area.

4.4.9 **Internal Control**

4.4.9.1 In cases of material proposed change to systems of internal control, advice should be sought from the Chief Internal Auditor. It is the responsibility of relevant service managers, however, to implement resulting changes and monitor their effectiveness.

4.4.10 **Income**

4.4.10.1 The collection of all money owed to the Council is the responsibility of the Head of Finance except:

(a) The collection of monies at service locations (i.e. where payment or counter services are offered) and the accounting thereof to the Head of Finance is the responsibility of the appropriate Executive Director;

(b) The Executive Director of Place is responsible for the collection of rents for Council housing and the collection of parking fines and accounting for them to the Head of Finance.

4.4.10.2 The Head of Finance must be notified promptly of all money due and of contracts, leases, agreements or other arrangements, that involve payments to the Council.

4.4.10.3 Executive Directors will ensure the prompt rendering of accounts in connection with work done, goods supplied or services rendered and will furnish the Head of Finance with the information required to identify income due. The Head of Finance will approve the manner in which accounts for income receivable must be prepared. Additional guidance in this area is provided within the Council's [Corporate Debt Policy](#).

4.4.10.4 Arrangements for payment of accounts by instalment are at the discretion of the Head of Finance, in consultation with the relevant Executive Director where appropriate.

- 4.4.10.5 Arrangements for the billing and recovery of all sums due should be carried out in accordance with the provisions contained within the Council's Corporate Debt Policy.
- 4.4.10.6 Invoices issued by the Council must not be amended to correct errors. Services must issue a replacement invoice if errors are identified, whereupon the erroneous invoice should be cancelled.
- 4.4.11 **Receipt of Income**
- 4.4.11.1 All money received by a Council officer must be paid in without delay or in accordance with directions issued by the Head of Finance.
- 4.4.11.2 Where invoices have not been issued for sums owed to the Council, alternative arrangements for collection are subject to the Head of Finance's written approval.
- 4.4.11.3 The Head of Finance will specify in writing procedures for recording income, lodging income with the bank, resolving banking discrepancies, security and insurance, cash transfers, personal cheques and the supply of receipts and tickets for use by service areas.
- 4.4.11.4 The Executive Director of Resources, Head of Customer Services and Information Technology, Customer – Senior Manager and Head of Finance are authorised to sign certificates and petitions to the Sheriff Court for summary warrant applications.
- 4.4.12 **Salaries and Wages**
- 4.4.12.1 Employees may be appointed only in accordance with the procedures approved by the Council, the establishment, grades and rates of pay. Appropriate equality monitoring and internal audit arrangements will be put in place to ensure compliance.
- 4.4.12.2 Salaries and wages must be processed in accordance with procedures and instructions issued by the Head of Human Resources from time to time. Managers are also responsible for confirming the employment status of self-employed individuals and sole traders prior to engagement by means of completion of the HMRC-provided online assessment tool and liaising thereafter as appropriate with the Payroll and Accounts Payable functions.
- 4.4.12.3 The payment of salaries, wages, compensations and other emoluments to employees or pension entitlements to former employees will be made by the Head of Human Resources, who is also responsible for transmitting pension contributions to the Lothian Pension Fund and the Scottish Public Pensions Agency and tax, National Insurance and apprenticeship levy contributions to HM Revenue and Customs.

4.4.12.4 Executive Directors must provide the Head of Finance and/or Head of Human Resources with the information required to complete Council and statutory returns.

4.4.13 **Allowances and Loan Schemes**

4.4.13.1 The Head of HR is responsible for paying allowances, reimbursing expenses and administering loan schemes.

4.4.13.2 Executive Directors are required to ensure that:

- (a) Claims and applications are submitted in accordance with conditions of service, Council policies and statutory provisions, together with relevant supporting information such as receipts;
- (b) Claims and applications are submitted on the appropriate form and certified by an authorised officer;
- (c) Officers authorised to sign claims and application forms on their behalf are notified to the Head of Finance;
- (d) Information required to complete Council and statutory returns is provided to the Head of Finance.

4.4.13.3 The Head of Finance is responsible for administering the Scheme of Members' Allowances in accordance with relevant statutory provisions and the payment of expenses. A report on members' allowances must be presented to the Governance, Risk and Best Value Committee annually and is currently discharged by means of the Remuneration Report contained within the Council's Annual Accounts.

4.4.14 **Insurance**

4.4.14.1 The Head of Finance will:

- (a) Prepare and maintain an insurance strategy to provide cost-effective cover;
- (b) Negotiate claims with insurers, in consultation with relevant officers; and
- (c) Report annually to the Governance, Risk and Best Value Committee on the strategy's operation and effectiveness.

4.4.14.2 Executive Directors must notify the Head of Finance promptly of all new risks, properties, vehicles, plant, equipment, etc. that require to be insured, in addition to any alterations and changes in activities and procedures that may affect existing insurance arrangements.

- 4.4.14.3 Executive Directors must notify the Head of Finance of all major capital and revenue projects at an early stage if insurance cover or specialised insurance advice is required.
- 4.4.14.4 Executive Directors must notify the Head of Finance in writing of any loss, liability, damage or other event likely to lead to a claim immediately they become aware of it and should inform the police where appropriate.
- 4.4.14.5 In order to comply with the Insurance Act 2015, Executive Directors must advise every material circumstance that the Council 'knows' or 'ought to know' or provide sufficient information to put a prudent insurer on notice that it needs to make further enquiries for the purpose of revealing those material circumstances.
- 4.4.14.6 Executive Directors should not:
- (a) Make any admission of liability;
 - (b) Take any action which may be construed as an admission of liability; or
 - (c) Waive any rights of recovery.
- 4.4.14.7 Executive Directors must consult the Head of Finance and Head of Legal and Risk regarding the terms of any indemnity which the Council is requested to provide.
- 4.4.14.8 Executive Directors must take due account of recommendations made by the Council's insurers.
- 4.4.15 **Imprest Accounts**
- 4.4.15.1 Where appropriate, the Head of Finance will provide cash advances to officers to defray petty cash and other expenses. Such advances will be accounted for using the imprest system.
- 4.4.16 **Custody and Security of Assets**
- 4.4.16.1 Each Executive Director is responsible for maintaining appropriate security at all times for data/information, buildings, stores, furniture, equipment, cash and other property, including that owned by third parties.
- 4.4.16.2 The Scheme of Delegation to Officers – Appendix 1 - General Delegation to Executive Directors provides delegated authority to write off or dispose of any stores, plant, furniture, equipment or other tangible or monetary asset **not falling with the scope of the Corporate Debt Policy** in accordance with these Financial Regulations provided that:

(a) The stores, plant, furniture, equipment or other tangible asset, have become unfit for use and unsaleable **or in the case of relevant monetary assets, all reasonable steps to achieve recovery have been exhausted**; and

(b) The decision is made in consultation with the Executive Director of Services.

4.4.16.3 Council assets may not be removed, other than for Council purposes, unless specific instructions have been issued by an Executive Director.

4.4.16.4 Executive Directors are responsible for the care, custody and stocktaking of all stocks under their control and must act in accordance with guidelines issued by the Head of Finance.

4.4.16.5 Each Executive Director must agree maximum limits for cash holdings with the Head of Finance for insurance purposes. These may not be exceeded without the permission of the Head of Finance.

4.4.16.6 All heritable securities which are the Council's property, are in its name or in the name of its nominee, and the title deeds of all Council property must be stored securely by the Head of Finance.

4.4.16.7 All heritable securities that comprise the Common Good Fund must be stored securely by the Head of Finance.

4.4.17 **Gifts, Hospitality and Conduct**

4.4.17.1 A register of items gifted or bequeathed to the Council will be maintained by the Head of Finance. Items of considerable value when not otherwise taken on charge for Council or service-specific purposes should be lodged with the Head of Finance for safe keeping and insurance.

4.4.17.2 Elected members and officials must comply with the Local Government (Scotland) Act 1973 Section 68 and all relevant codes of conduct for local government personnel.

4.4.17.3 The Chief Executive has delegated authority to approve expenditure on civic hospitality of up to £10,000 subject to consultation with the Lord Provost or relevant Convener if provided on behalf of a particular Committee. Where total event expenditure exceeds £10,000 or is over and above the budgeted level, approval from the Finance and Resources Committee is required.

4.4.18 **Banking Arrangements**

- 4.4.18.1 The Head of Finance will make arrangements for opening and operating bank accounts and using banking services. The Head of Finance is responsible for negotiating banking terms. No new bank accounts should be opened without the authorisation of the Principal Treasury and Banking Manager. Personal bank accounts must never be used in respect of Council transactions or funding.
- 4.4.18.2 All cheque forms, excluding those required for authorised imprest accounts may be printed only with the authority of the Head of Finance, who will make arrangements for their safe custody.
- 4.4.18.3 Cheques drawn on the main bank accounts must bear the facsimile signature of the Head of Finance (or other nominated officer) or be signed by the Head of Finance or other officer who holds an authorised post designated by him/her.
- 4.4.18.4 The Head of Finance will make appropriate arrangements, including determination of agreed authorisation limits, for the signature of other financial documents on behalf of the Council.

4.4.19 **Treasury Management**

- 4.4.19.1 The Council has adopted CIPFA's "Code for Treasury Management in the Public Services" and "Prudential Code for Capital Finance in Local Authorities". The Head of Finance is responsible for preparing and maintaining the Treasury Policy Statement and treasury management activities must be carried out in accordance with the Statement. Amendments must be considered and approved by Council.
- 4.4.19.2 An annual Treasury Strategy must be prepared. To this end, the Head of Finance will prepare separate annual reports to propose the following year's treasury strategy and report on the previous year's management performance. These documents will be subject to approval by Council and onward scrutiny by the Governance, Risk and Best Value Committee to monitor the strategy's implementation and effectiveness. The performance report will be submitted as soon as possible after the end of the financial year.
- 4.4.19.3 All treasury-related decisions are delegated to the Head of Finance who must act in accordance with the Code and Policy Statement.
- 4.4.19.4 All money in the Council's custody will be aggregated for treasury management purposes and controlled by the Head of Finance.
- 4.4.19.5 Where the acquisition or creation of an asset by leasing is proposed, the financial implications of the leasing agreement must be approved by the Head of Finance.

4.4.20 **Investments**

- 4.4.20.1 The Head of Finance may undertake any action that may reasonably be deemed permissible investment business but must seek appropriate advice where necessary in relation to educational endowments and any other Council or trust funds.
- 4.4.20.2 The Head of Finance is responsible for the safe custody of share certificates or other documents relating to the investment of Council or trust funds.
- 4.4.21 **Payment of Accounts**
- 4.4.21.1 Arrangements for processing payments must comply with procedures established by the Head of Finance, a summary of which is included in the Finance Rules.
- 4.4.22 **Grant Payments to Third Parties**
- 4.4.22.1 Executive Directors are responsible for ensuring that grant awards are consistent with the Council's priorities and are subject to its standard conditions of funding as determined by the Head of Finance.
- 4.4.22.2 Arrangements for processing grant payments must comply with procedures established by the Head of Finance as set out in the Finance Rules. Other than in a limited number of specific cases where authority is delegated to Executive Directors, all payments are subject to annual consideration and approval by the relevant Executive Committee.
- 4.4.23 **Procurement/Purchasing**
- 4.4.23.1 Arrangements for procurement/purchasing, including the use of purchasing cards, must comply with procedures established by the Head of Finance as summarised in the Finance Rules.
- 4.4.23.2 Executive Directors are responsible for ensuring that purchasing activity carried out on their behalf is undertaken in accordance with the guidance contained in the Procurement Handbook and associated equality requirements.
- 4.4.24 **Value Added Tax**
- 4.4.24.1 Executive Directors are responsible for identifying and accounting for input and output tax as it relates to their service area. Queries and specific problems should be referred to the Head of Finance, who is responsible for issuing guidance on the application of VAT rules.
- 4.4.25 **Cyber Security**

4.4.25.1 The Head of Customer Services and Information Technology is responsible for preparing and maintaining the Council's policy on ICT security, as well as appropriate guidance on usage and security.

4.4.25.2 Executive Directors are responsible for applying the security policy and guidance.

4.4.25.3 The Council is registered under the Data Protection Act. Executive Directors are responsible for ensuring that the provisions regulating computer systems' security are strictly observed. Executive Directors must liaise with the Head of Customer Services and Information Technology to ensure adequate security on a continuing basis.

4.4.26 **Other Significant Documents**

4.4.26.1 Financial Regulations should be read in conjunction with the constitutional documents of the Council and all Council Policies (as such term is defined in the Scheme of Delegation to Officers) including without limitation:

[Procedural Standing Orders for Council and Committee Meetings;](#)

[Committee Terms of Reference and Delegated Functions;](#)

[Scheme of Delegation to Officers;](#)

Finance Rules;

[Contracts Standing Orders;](#)

Procurement Handbook;

Code of Conduct on the Use of Electronic Communications;

A Framework to Advance Equality and Rights 2012 to 2017 and successor documents.

ADDENDUM: FINANCIAL REGULATIONS – LOTHIAN PENSION FUNDS

In respect of all pension funds administered by the City of Edinburgh Council, the Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund. This encompasses responsibility for all accounting records and financial administration of the pension funds, as aligned to the remit of the Pensions Committee and Pensions Audit Sub-Committee.

The responsibilities of the Head of Finance, as detailed in these Finance Regulations, will therefore apply to the Chief Finance Officer, Lothian Pension Fund, only to the extent that these are pertinent to the governance of the pension funds. This shall include making suitable arrangements for the safe custody of the investments of the pension funds, share certificates or other documents relating to the investment of pension funds. Financial reporting for the pension funds will be considered by the Pensions Committee, and the Pensions Audit Sub-Committee as appropriate.

APPENDIX 6



CONTRACT STANDING ORDERS

28 June2018

Contents

1.	Preliminary, definitions and general principles	3
2.	Procedures	7
3.	Role and responsibilities of Directors	9
4.	Tender documents	11
5.	Evaluation of tenders and quotes	11
6.	Acceptance and award of contracts	12
7.	Eligibility to tender and termination, variation or suspension of a contract	12
8.	Electronic procurement	13
9.	Waiver of Contract Standing Orders	13
10.	Contract extensions or variations	14
11.	Consultants	14
12.	National Frameworks	16
13.	Review of Contract Standing Orders	16
	Schedule: Relevant values and associated tendering procedure.	17
	Schedule: Waiver Approval Procedure	21
	Contract Standing Orders flow chart	22

Introduction

These Contract Standing Orders of the City of Edinburgh Council (“Council”) apply from 28 June 2018 and apply (with certain exceptions) to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials to the Council, and/or for the provision of services.

1 Preliminary

1.1 Extent and interpretation

- 1.1.1 The Council makes these Standing Orders in terms of section 81 of the Local Government (Scotland) Act 1973.
- 1.1.2 These Standing Orders must be interpreted in accordance with the key principles of transparency, equal treatment, non-discrimination and proportionality.
- 1.1.3 These Standing Orders apply from 28 June 2018 and apply, subject to the provisions of Standing Order 1.1.5, to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials to the Council, and/or for the provision of services (including consultancy services).
- 1.1.4 The Standing Orders are subject to the over-riding provisions of European Union (EU), United Kingdom (UK), or Scottish legislation. They are also subject to any EU Commission, UK government or Scottish Executive guidance on public procurement that may be issued from time to time.
- 1.1.5 The Standing Orders do not apply to any of the following:
 - 1.1.5.1 contracts of employment;
 - 1.1.5.2 contracts solely relating to the lease, purchase or disposal of heritable property;
 - 1.1.5.3 the allocation of direct payments or personal budgets under options 1, 2 or 4 of the Social Care (Self Directed Support) (Scotland) Act 2013;
 - 1.1.5.4 appointed guardians or legal services designated by a court of tribunal, any persons appointed under The Curators ad Litem and Reporting Officers (Panels) Scotland Regulations 2001 and the appointment of board members required by statute;
 - 1.1.5.5 contracts with statutory or public bodies on the basis of an exclusive right enjoyed by law; and
 - 1.1.5.6 those contracts excluded by the 2015 or 2016 Regulations for example arbitration or conciliation services.

- 1.1.6 The Standing Orders must be read in conjunction with, and all Council staff must comply with, the Scheme of Delegation to Officers, the Council's Financial Regulations, the Procurement Handbook and the Contract Management Manual.. Where there is any discrepancy, the Standing Orders shall take precedence.
- 1.1.7 Failure to comply with these Standing Orders when making purchases or seeking offers may result in disciplinary action.
- 1.1.8 Any query regarding the application or interpretation of these Standing Orders should be made in the first instance to the Executive Director of Resources.

1.2 Definitions and interpretation

- 1.2.1 "Act" means the Procurement Reform (Scotland) Act 2014;
- 1.2.2 "Best Value" means the legal duty to secure continuous improvement in the performance of the Council's functions as set out in section 1 of the Local Government in Scotland Act 2003 as follows:-
- "1 Local authorities' duty to secure best value**
- (1) It is the duty of a local authority to make arrangements which secure best value.
- (2) Best value is continuous improvement in the performance of the authority's functions.
- (3) In securing best value, the local authority shall maintain an appropriate balance among—
- (a) the quality of its performance of its functions;
- (b) the cost to the authority of that performance; and
- (c) the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.
- (4) In maintaining that balance, the local authority shall have regard to—
- (a) efficiency;
- (b) effectiveness;
- (c) economy; and
- (d) the need to meet the equal opportunity requirements.
- (5) The local authority shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.
- (6) In measuring the improvement of the performance of a local authority's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.
- (7) In this section, "*equal opportunity requirements*" has the same meaning as in Section L2 of Part II of Schedule 5 to the Scotland Act 1998 (c.46)";
- 1.2.3 'CLT' means the Corporate Leadership Team
- 1.2.4 'Consultant' means a specialist who charges a fee for providing advice or services such as but not limited to business or project management, human resources, environment, communication, information technology, property and estates and financial services, but excluding agency and temporary workers and professional services provided by solicitors, counsel and actuaries;

- 1.2.5 “Contract Manager” means the nominated Contract Manager for a specific contract who is responsible for dealing with supplier performance and contractual matters of a day to day basis;
- 1.2.6 Co-production – means the real and meaningful involvement of the citizens of Edinburgh including future recipients of the services and key stakeholders and suppliers (both current and potential) in how and what community services and related goods and works are delivered with regard to the National Standards for Community Engagement.
- 1.2.7 “Executive Director” means the relevant Executive Director (or in the case of the Edinburgh Integrated Joint Board the Chief Officer) of the procuring service area or for the purpose of exercising any powers set out in these Standing Orders the Chief Executive of the Council or, in the case of cross-directorate purchasing or absence of the relevant Executive Director or the Chief Executive, such Head of Service as that Executive Director has nominated in accordance with the Scheme of Delegation, the Executive Director of Resources or such director as the Chief Executive may nominate.
- 1.2.8 “EU Thresholds” means the prescribed threshold values set by the EU Commission for supply, services, works, Social and other Specific Services or concession contracts as they may be amended from time to time;
- 1.2.9 “Head of Service” means the relevant Head of Service of the procuring service area (or in the case of the Edinburgh Integrated Joint Board the direct reports to the Chief Officer) in the case of the absence of the relevant Head of Service such other Head of Service that the Executive Director may nominate.
- 1.2.10 “Legislative Exemptions” means an exemption from the application of procurement rules under EU law and principles developed through case law and other means
- 1.2.11 “Procurement Handbook” means the procurement handbook issued by the Executive Director of Resources, setting out the detailed requirements for the conduct of procurement activity within the Council (as amended from time to time);
- 1.2.12 “Contract Management Manual” means the contract management manual issued by the Executive Director of Resources, setting out the detailed requirements for the conduct of contract management activity within the Council (as amended from time to time);
- 1.2.13 “Procurement Requirement” means a document setting out as a minimum: -
- 1.2.13.1 what is the Council's requirement for the goods, works or services and why do we need it?

- 1.2.13.2 what are all the available options, including internal provision, which is the best and why?
- 1.2.13.3 can and should the Council afford it?
- 1.2.13.4 what are the proposed supplier management arrangements and who is the nominated Contract Manager as required by Contract Standing Orders?
- 1.2.13.5 how do we track, measure and account for the benefits?
- 1.2.14 “2015 Regulations” means the Public Contracts (Scotland) Regulations 2015 or successor legislation (as amended from time to time);
- 1.2.15 “2016 Regulations” means the Procurement (Scotland) Regulations 2016 or successor legislation (as amended from time to time);
- 1.2.16 “Regulated procurement” means a procedure to award a regulated contract being a public contract which is equal to or greater than £50,000 (other than works or health or social care contracts) or £2million for works contracts;
- 1.2.17 “Schedule” means the schedule to these Standing Orders;
- 1.2.18 “Social and other Specific Services means a public contract or framework for social and other specific services as defined by the 2015 Regulations including:-
 - 1.2.18.1 Health, social and related services
 - 1.2.18.2 Administrative social, educational, healthcare and cultural services
 - 1.2.18.3 Other community, social and personal services
 - 1.2.18.4 Legal services
 - 1.2.18.5 Investigation and security services
 - 1.2.18.6 Postal services
- 1.2.19 “Standing Orders” means these standing orders including the Schedule and “Standing Order” shall be interpreted accordingly.

1.3 General Principles

- 1.3.1 The relevant officer with responsibility for commissioning and/or procuring shall, prior to commencing any procurement process, ensure that an appropriate Procurement Requirement that meets the strategic and service objectives of the Council is completed in order to ensure that Best Value is achieved, that it complies with relevant sustainable development and equality requirements required by law and Co-

production with key stakeholders is planned as appropriate and proportionate to the nature of the proposed contract,

- 1.3.2 The Procurement Requirement shall include consulting with other Council service areas to ensure that where there is a need for the same or similar services that they are jointly procured where appropriate. Where the approximate value of any proposed procurement is likely to exceed £1 million (or £25,000 in the case of consultancy spend) the relevant Procurement Requirement shall require the approval of the relevant Executive Director prior to proceeding to procurement.
- 1.3.3 All potential contracts above the EU thresholds and Regulated procurements must comply with the general principles of equal treatment, non discrimination, transparency and proportionality. Procurements must not be designed with the intention of unduly favouring or disadvantaging any potential tenderer.
- 1.3.4 Throughout the life of a contract the contract should:-
- a. comply with the minimum standards set out in the Procurement Handbook and the Contract Management Manual and
 - b. be managed by the Contract Manager in respect of
 - i. performance;
 - ii. compliance with the specification and other terms of the contract;
 - iii. cost and benefits;
 - iv. Best Value requirements;
 - v. equality requirements;
 - vi. delivery and risk management; and
 - vii. continuous improvement and Co-production principles.
- 1.3.5 All procedures for initiating procurement, developing procurement plans, inviting and receiving tenders, approval of contracts, and all contractual arrangements entered into shall comply with the Council's equality and sustainability requirements and policies, shall encourage fair working practices and payment of the Living Wage and, where appropriate, contractual or procurement arrangements shall include the use of community benefit clauses.
- 1.3.6 All expenditure must comply with the Council's Financial Regulations.
- 1.3.7 Grants while not subject to the full application of the procurement regulations should be allocated in consultation with the Chief Procurement Officer and are subject to the requirement to

- a. secure Best Value
- b. comply with the Council's Finance Rules
- c. adhere to the Compact values in particular fairness, transparency, equality of treatment and mutual respect; and
- d. comply with any guidance on grants in the Procurement Handbook

2 Procedures

- 2.1 In addition to the obligations in Standing Order 1.3, before commencing a tendering procedure or making a purchase where no contract exists the relevant Executive Director must consult with the Chief Procurement Officer to establish whether:
 - 2.1.1 The Council has an existing contract for the same or similar requirement which may fulfill their requirements and provide best value; or
 - 2.1.2 there is any existing internal provision or other resources which could be used.
- 2.2 The procedure for the award of any contract shall depend upon the estimated aggregated value of that contract. The EU rules on aggregation of contracts shall apply and the artificial splitting of purchase orders or requirements to avoid the application of these Standing Orders is not permitted.
- 2.3 Subject to Standing Order 9, or where otherwise legally permitted in respect of proposed contracts which exceed the Regulated procurement thresholds provided by the Act or the EU Thresholds, the minimum associated tendering procedures that must be applied are detailed in the Schedule.
- 2.4 For a procedure other than competitive tendering e.g. the negotiated procedure without prior advertisement, advice must be sought from the Head of Legal and Risk and/or Chief Procurement Officer.
- 2.5 Health, social care and community services shall be procured in accordance with the Act, the 2015 Regulations, the 2016 Regulations, the Procurement of Care and Support Services 2016 (Best Practice), any statutory guidance issued under the Act and the principles of Co-production.
- 2.6 For all purchases in excess of £50,000 for goods and services and £2million for works the sustainable procurement duty introduced by the Act requires that before buying anything the Council must think about how it can improve the social, environmental and economic wellbeing of the area in which it operates with a particular focus on inequality and then act in a way that secures these improvements.
- 2.7 In accordance with its sustainable procurement duty the Council must consider how its procurement processes can facilitate the involvement of SMEs, third sector bodies and supported businesses and how innovation can be promoted.

For contracts over the EU thresholds a contract may be awarded in the form of separate lots and where the decision is not to award in the form of separate lots this should be explained in the procurement documents.

- 2.8 The Council may reserve the right to participate in a tendering procedure to providers operating supported businesses, supported employment programmes or supported factories where more than 30% of the workers are disabled or disadvantaged persons in accordance with the 2015 Regulations. Where this right is exercised by the Council the contract award procedures provided by the Regulations and Act shall be followed.
- 2.9 Where legally permissible the Council shall seek to ensure that for purchases or contracts of an estimated value of £50,000 or less that at least one Small or Medium Enterprise (SME) from the City of Edinburgh or an SME who is a significant employer within the City of Edinburgh is invited to tender in any process. For future repeat procurements for similar goods, services or works the Council shall seek to ensure that at least one new SME from the City of Edinburgh or a new significant employer within the City of Edinburgh is invited to tender in any process.
- 2.10 Direct purchasing below £3,000 where the purchase cannot be secured from an existing contracted supplier without competitive tendering is permissible subject to the Council's duty to secure Best Value. Best Value will normally be secured by seeking 3 quotes and/or evidence of firm fixed prices.
- 2.11 Direct purchasing above £3,000 without seeking quotes is permissible only in those circumstances that would be permitted by the Act, the 2015 Regulations, the 2016 Regulations or in accordance with Standing Order 9.
- 2.12 The Chief Procurement Officer shall be consulted as appropriate in respect of tendering arrangements for any proposed contracts with an estimated value of less than £25,000.
- 2.13 The Chief Procurement Officer may seek advice and escalate such risks as considered appropriate to the Head of Legal and Risk who shall advise as to the appropriate action.
- 2.14 The Chief Procurement Officer shall advise on and make all tendering arrangements for any proposed contracts with an estimated value in excess of £25,000.
- 2.15 If an unsuccessful tenderer brings a written or formal challenge against the Council in relation to a tender exercise or questions the integrity of the tender process, the recipient of the notice of challenge or query must inform the Chief Procurement Officer. The Chief Procurement Officer must inform the Head of Legal and Risk as to potential legal challenges.
- 2.16 Parent Teacher Association monies may be subject to the application of the procurement regulations where the contract is entered into by the Council. The prior consent of the Council must be obtained where the expenditure of Parent Teacher Association monies will result in alterations to Council land or buildings require equipment to be fixed to Council land or buildings, have health or safety

implications or maintenance obligations.

3 The Role and Responsibilities of Executive Directors

- 3.1 Each Executive Director retains responsibility for selecting and appointing contractors, providers, suppliers or Consultants for their directorate, but shall seek guidance as appropriate from the Chief Procurement Officer. The Chief Procurement Officer shall be consulted at the earliest opportunity to ensure that all purchasing arrangements are made in compliance with these Standing Orders.
- 3.2 Each Executive Director has responsibility for all contracts tendered and let by their Directorate and is accountable to the Council for the performance of their duties in relation to contract letting and management, which are:
 - 3.2.1 to ensure compliance with these Standing Orders, the Procurement Handbook and the Contract Management Manual;
 - 3.2.2 to ensure no contract is entered into by the Council without seeking advice where appropriate from the Chief Procurement Officer and Head of Legal and Risk and having proper regard to such advice;
 - 3.2.3 to ensure that appropriate contract security (for example guarantees or performance bonds) is obtained where required or considered prudent;
 - 3.2.4 to prepare and approve where required by these Standing Orders an appropriate Procurement Requirement for each proposed purchase or contract;
 - 3.2.5 to prepare, in consultation with the Chief Procurement Officer, appropriate contract and tender documents which clearly specify the scope, quality and quantity of the works, goods or services;
 - 3.2.6 to check whether there is any existing Council or other collaborative framework that can appropriately be used to achieve Best Value for the Council before undergoing a further competitive tender process;
 - 3.2.7 to keep all bids confidential subject to any legal requirements;
 - 3.2.8 to take appropriate measures to prevent, identify and remedy conflicts of interest arising in the conduct of procurement procedures so as to avoid distortion of competition and to ensure equal treatment of tenderers;
 - 3.2.9 to ensure that any evaluation panel is suitably qualified and trained to assess tenders;
 - 3.2.10 to ensure no supplier is requested by the Council to provide goods, services or works without first having a valid purchase order in place;
 - 3.2.11 to enter all purchase order information onto the relevant Council financial system prior to the service or goods being delivered;
 - 3.2.12 to ensure that for contracts of a value greater than £3,000 for goods and services and £10,000 for works, the contract register record is updated

within 5 working days following issue of contract award and in any event prior to start date of contract;

- 3.2.13 to arrange for the publication of a contract award notice on Public Contracts Scotland for Regulated procurements including call offs from frameworks where the value exceeds £50,000 (other than works or health and social care contracts) or £2million for works as required by the Regulations
- 3.2.14 to ensure all relevant staff putting in place a contract have read and understood and are familiar with these Standing Orders, the Procurement Handbook, the Contract Management Manual or other guidance issued in respect of these Standing Orders;
- 3.2.15 to conduct a timely Integrated Impact Rights Assessment and/or privacy impact assessment as appropriate;
- 3.2.16 to ensure contracts are awarded, any necessary checks such as IR35 or Disclosure Scotland checks are carried out and any appropriate contract security documents are signed before work, services or supply provision commences;
- 3.2.17 to put in place arrangements for efficient contract and supplier management including the identification of a Contract Manager and management of benefits and performance, for the entire duration of the contract;
- 3.2.18 to retain a copy of the contract and keep proper records of all contracts and tenders, including minutes of tender evaluation panels and other meetings;
- 3.2.19 to take immediate action in the event of a breach of these Standing Orders or non compliance with the Procurement Handbook or the Contract Management Manual within his/her directorate;
- 3.2.20 to consult with Elected Members on matters reasonably considered politically, reputationally or financially sensitive in relation to proposed procurement activity and to brief Elected Members as appropriate at the Procurement Requirement stage of such procurements; and
- 3.2.21 to make appropriate arrangements for the opening of tenders and their secure retention so as to protect the integrity of the procurement process and where tenders are received in paper form to ensure they are opened in the presence of an officer nominated by the Chief Procurement Officer together with a witness.

4 Tender Documents

- 4.1 The tender documents shall clearly set out the proposed method of evaluation as well as the scope, timing, quality and quantity of the works, services and supplies required by the Council.
- 4.2 The Head of Legal and Risk will be consulted on conditions of contract for particularly significant or complex projects or contracts.

- 4.3 The Council's conditions of contract shall be used for all purchases over £3,000 unless the Head of Legal and Risk has advised that this is not required.

5 Evaluation of Tenders and Quotes

- 5.1 Tenders and quotes shall be evaluated on the basis of most economically advantageous and the best price-quality ratio. The award of a contract on the basis of lowest cost alone will only be permitted for goods and services contracts below £50,000, works contracts below £2million or under frameworks awarded prior to 18 April 2016.
- 5.2 Tenders and quotes received after the closing date and time stipulated for return of tenders, or tenders which are incomplete or in an incorrect format will not be opened or considered unless the Council, acting proportionately, decides that there are circumstances which allow it to exercise discretion in allowing consideration of the tender. The Chief Procurement Officer must be consulted if tenders which are submitted late, incomplete or in an incorrect format are to be evaluated.
- 5.3 Tenders shall be evaluated by a tender evaluation panel which should comprise officers having sufficient knowledge and technical ability to enable them to evaluate detailed tenders appropriately. The evaluation process shall follow any guidance issued by the Chief Procurement Officer and be fully and appropriately documented.
- 5.4 Where a proposed purchase or tender involves the use, adoption or purchase of an Information Communication Technology (ICT) or digital service, software or hardware the advice of the Council's ICT services must be sought at the Procurement Requirement stage and any purchase must be undertaken in collaboration with the Council's ICT Solutions service The Council's ICT contract should be used for any Council requirements unless it is unsuitable or will not provide best value.

6 Acceptance and Award of Contracts

- 6.1 Following the conclusion of the procedure for awarding contracts set out in these Standing Orders and, where applicable, the expiry of the mandatory standstill period, the resulting contract between the Council and successful tenderer shall follow the approval process detailed in the Schedule. The signing of the contract document or letter of acceptance shall be in accordance with the Scheme of Delegation.

7 Eligibility to tender and termination, variation or suspension of a contract

- 7.1 The relevant Executive Director, having due regard to legal advice from the Head of Legal and Risk, may treat a potential tenderer as ineligible to tender where there are reasonable grounds to conclude that the contractor or potential tenderer:

7.1.1 has committed an act of grave misconduct in the course of their

business or profession; or

- 7.1.2 has shown significant or persistent deficiencies in the performance of a substantive requirement under a prior public contract which led to early termination of that prior contract, damages or other comparable sanctions, subject to consideration by the Council of any measures taken to demonstrate reliability; or
- 7.1.3 falls within one or more of the other grounds set out in the 2015 Regulations or
- 7.1.4 has compiled, used, sold or supplied a prohibited list which:
 - i. contained details of persons who are or have been members of trade unions or persons who are taking part or have taken part in the activities of trade unions, and
 - ii. was compiled with a view to being used by employers or employment agencies for the purposes of discrimination in relation to recruitment or in relation to the treatment of workers, within the meaning of the Employment Relations Act of 1999 (Blacklists) Regulations 2010.
- 7.2 The relevant Executive Director may terminate, suspend or vary a contract, in accordance with the express or implied terms of the contract and may also take such further action with regard to any contract as the Council is legally entitled to take.
- 7.3 The relevant Executive Director will notify the Head of Finance and Chief Procurement Officer without delay of any actions taken in accordance with Standing Order 7.1 to 7.2.

8 Electronic Procurement

- 8.1 Requests for quotations and invitations to tender shall be issued and/or received by electronic means.

9 Waiver of Contract Standing Orders or Legislative Exemptions

- 9.1 The requirement to comply with any provision of these Standing Orders may be waived in accordance with the waiver approval process detailed in the Schedule if on considering a written report by an appropriate officer the waiver is considered to be in the Council's best interests having regard to
 - 9.1.1 best value
 - 9.1.2 any potential risk of successful legal challenge
 - 9.1.3 the principles of transparency, equal treatment, non discrimination and proportionality and
 - 9.1.4 any impact upon services users

- 9.2 A record of the decision approving a waiver must be kept by the relevant Executive Director and a copy of such approved waiver provided to the Chief Procurement Officer who shall where appropriate make an entry in the contract register and any other appropriate register.
- 9.3 Where approval for a waiver of these Standing Orders has not been obtained in advance the reason for this must be contained in the waiver or Committee report.
- 9.4 Where a waiver, committee approval or procedure permitted by this Standing Order 9 allows the direct award of a contract which exceeds £50,000 then a contract award notice must be recorded on the Public Contracts Scotland portal and the relevant Executive Director must notify Commercial and Procurement Services of the details to allow entry on the contract register and any other appropriate register,
- 9.5 Where these Standing Orders have been waived in accordance with this Standing Order 9 the relevant Director shall put in place a written contract for that requirement without delay, inform the Chief Procurement Officer and ensure appropriate plans are made for tendering the requirement where appropriate.
- 9.6 The requirement to waive these Standing Orders is not required where:-
- 9.6.1 a procedure or specific situation other than the open or restricted procedure is permitted by the 2015 Regulations, 2016 Regulations, the Act, EU law or relevant case law. In deciding whether the use of another procedure or specific situation is permitted the relevant Head of Service or Director shall seek advice from the Chief Procurement Officer and/or Head of Legal and Risk
 - 9.6.2 the circumstances of the proposed contract are covered by legislative exemptions, for example certain research and development services
 - 9.6.3 contracts with another public body for the purposes of ensuring co-operation with the aim of providing public services or
 - 9.6.4 a tender process or contract negotiations are currently in progress and contract award and contract commencement is anticipated within four months.

10 Contract extensions or variations

- 10.1 Subject to 10.2, an Executive Director (or where the value or consequent change in price does not exceed £25,000, the relevant Head of Service) may authorise an extension to a contract, or any other variation including a consequent change in price, provided such extension or variation has been provided for in the initial procurement documents which may include price revision clauses or options, is not contrary to the Act, the 2015 or 2016 Regulations or the Council's EU obligations.
- 10.2 An Executive Director or Head of Service shall not extend or vary a contract if such extension or variation is not expressly permitted by the contract without seeking advice from the Head of Legal and Risk or the Chief Procurement Officer.

10.3 The EU rules on aggregation of contracts shall apply.

11 Consultants

11.1 Consultants shall only be appointed where the service cannot be provided by Council staff due to a lack of expertise or capacity.

11.2 The cost of appointing a Consultant shall be contained within the budget of the service or project for which the Consultant is to be appointed.

11.3 Executive Directors shall ensure a clear specification identifying the required outcomes shall be in place at the time of appointing the Consultant.

11.4 Executive Directors shall ensure that appropriate monitoring arrangements, such as gateway reviews, are in place prior to a Consultant's appointment in order that payments to the consultant are only made in accordance with the satisfactory achievement of measurable outcomes.

11.5 Where a Consultant is to be appointed and the services are:-

11.5.1 of a financial nature the Head of Finance must be consulted on the scope and specification of the services prior to appointment

11.5.2 of a legal nature the Head of Legal and Risk must be consulted on the scope and specification of the services prior to appointment

11.5.3 of an ICT nature the Head of ICT must be consulted on the scope and specification of the services prior to appointment

For all other appointments the relevant Executive Director shall approve the scope and specification where the services (or series of related services) are anticipated to be provided at an aggregate cost of up to £25,000.

11.6 Where Consultants are appointed, Executive Directors shall ensure that where appropriate, Council staff fill key project roles and work closely with Consultants to maximise the potential for transfer of skills and knowledge to Council staff.

11.7 Executive Directors shall maintain up-to-date records on the consultancy spend within their service area and shall include consultancy spend as a line in the detailed monitoring reports for months six and twelve of each financial year to CLT.

11.8 Subject to 11.9 the appointment of a Consultant where the services (or series of related services) are anticipated to be provided at an aggregate cost of £25,000 or more shall follow the approval process detailed in the Schedule.

11.9 Further approval shall not be required for services that are essential to the completion of a Pre-Approved Council Project. A Pre-Approved Council

Project is a project for which there is:

- 11.9.1 approved revenue or capital expenditure in accordance with the Council's Financial Regulations; and
 - 11.9.2 for projects that have a Council or appropriate committee report approving the recommendation to commence the project which includes an explicit reference to the requirement for consultants in the delivery of that project.
- 11.10 Committee approval shall not be required for the appointment of a Consultant employed in the design, evaluation and delivery of a works contract where the value is below the Committee reporting requirements as set out in the Contract Standing Orders for services or works. Any such appointment shall require the prior approval of the relevant Executive Director and the Chief Procurement Officer and details of any such appointments shall be included in a regular update report to CLT for noting.
- 11.11 In the event that the requirements of 11.9.2 are not met and the use of a Consultant is required as a matter of urgency the urgency provisions set out in provision 4 of the Council's Committee Terms of Reference and Delegated Functions and the Waiver provisions contained in Contract Standing Order 9 where appropriate should be followed.
- 11.12 An Executive Director shall not appoint a former employee who has been granted early retirement or been given a redundancy or severance package ("former employee") as a consultant unless:
- 11.12.1 a minimum of 1 year has elapsed since the former employee ceased to be employed by the Council; or
 - 11.12.2 subject to consultation with the Chief Executive, the Executive Director is satisfied that there is a clear and robust justification for the appointment of the former employee as a consultant.

12 National Frameworks

- 12.1 In order to purchase from National Frameworks such as those put in place by Scotland Excel or Scottish Procurement without delay the Council may make use of the framework and make purchases under that framework subject to reporting the adoption of such frameworks in a six monthly report to the Finance and Resources Committee.

13 Review of Standing Orders

- 13.1 These Standing Orders will be reviewed annually.

RELEVANT VALUES AND ASSOCIATED TENDERING PROCEDURE

Total value for duration of contract or purchase (aggregation rules apply)*	Procedure	Approval of contractual obligation	Committee Approval
Up to £3,000	<p>Use existing local, national, Council framework or call- off contracts or</p> <p>Appropriate choice of provider documenting reasoning and quote <i>or</i></p> <p>Public Contracts Quick Quote facility.</p> <p>Best Value must be delivered and this will usually be demonstrated by seeking 3 quotes.</p>	Executive Director, Head of Service or such other officer to whom the relevant Executive Director or Head of Service has appropriately delegated their powers to in consultation with Chief Procurement Officer as appropriate	Not required
£3,000 to £25,000 (excluding health or social care services)	<p>Use existing local, national, Council framework or call- off contracts or</p> <p>Seek a minimum of 3 quotes using Public Contracts Scotland “Quick Quote” facility or</p> <p>written/formal quotations – written description of requirements followed by written / electronic submission of quotes</p>	Executive Director, Head of Service or such other officer to whom the relevant Executive Director or Head of Service has appropriately delegated their powers to in consultation with Chief Procurement Officer as appropriate, and Head of Legal and Risk as appropriate	Not required
£3,000 up to £25,000 for Consultancy spend	Use existing local, national, Council framework or call- off contracts or	Executive Director, Head of Service or such other officer to whom the relevant Executive Director or Head of Service has appropriately delegated their	Not required

	<p>Seek minimum of 3 quotes using Public Contracts Scotland "Quick Quote" facility or</p> <p>written/formal quotations – written description of requirements followed by written / electronic submission of quotes</p>	<p>powers to in consultation with Chief Procurement Officer and Head of Legal and Risk as appropriate</p>	
<p>£25,000 and above for Consultancy spend***</p>	<p>Use existing local, national, Council framework or call- off contracts, or-</p> <p>Invitation to tender following public advertisement - Public Contracts Scotland portal and where these are Regulated Procurements comply with the provisions for Regulated procurements required by the Act and the 2016 Regulations</p> <p>or</p> <p>Public Contracts Quick Quote facility up to a value of £50,000.</p>		<p>Approval to award sought from Finance and Resources Committee** or Council</p>
<p>£25,000 up to EU Thresholds for services and supplies (excluding health or social care services and consultancy services)</p>	<p>Use existing local, national, Council framework or call- off contracts, or-</p> <p>Invitation to tender following public advertisement - Public Contracts Scotland portal and where these are Regulated Procurements comply with the provisions for Regulated procurements required by the Act and the 2016 Regulations</p> <p>or</p> <p>Public Contracts Quick Quote facility up to a value of £50,000.</p>	<p>Executive Director or Head of Service (where delegated authority has been given) in consultation with Chief Procurement Officer (and Head of Legal and Risk as appropriate).</p>	<p>Not required</p>

<p>£25,000 up to EU Thresholds for works</p>	<p>Use existing local, national, Council framework or call-off contracts, or</p> <p>Public Contracts Quick Quote facility up to a value of £2million.</p> <p>Invitation to tender following public advertisement - Public Contracts Scotland portal and where these are Regulated Procurements comply with the provisions for Regulated procurements as set out in the Act and the 2016 Regulations</p>	<p>Executive Director or Head of Service (where delegated authority has been given) in consultation with Chief Procurement Officer (and Head of Legal and Risk as appropriate) up to £500,000.</p> <p>Executive Director approval in consultation and Chief Procurement Officer (and Head of Legal and Risk as appropriate), between £500,000 and £2million.</p>	<p>Approval to award sought from Finance and Resources Committee** or Council where value exceeds £2million</p>
<p>£25,000 up to EU Threshold for Social and other Specific Services for Health or Social Care Services</p>	<p>Use existing local, national, Council framework or call-off contracts or</p> <p>Contracts to be awarded in accordance with the Procurement of Care and Support Services 2016 (Best Practice) and any statutory guidance issued under the Act</p>	<p>Executive Director or Head of Service (where delegated authority has been given) in consultation with Chief Procurement Officer (and Head of Legal and Risk as appropriate) up to EU threshold for Social and other Specific Services for Health or Social Care Services</p>	<p>Not required.</p>
<p>Above EU Threshold for services, Social and other Specific Services and supplies</p>	<p>Use existing local, national, Council framework or call-off contracts, or</p> <p>Invitation to tender following advertisement in OJEU - Public Contracts Scotland portal</p> <p>or</p>	<p>Executive Director approval in consultation with Chief Procurement Officer (and Head of Legal and Risk as appropriate), up to £1million</p>	<p>Approval to award sought from Finance and Resources Committee** or Council where value exceeds £1million</p>

	negotiated procedure without prior publication, competitive procedure with negotiation, competitive dialogue or innovative partnerships where permitted by the 2015 Regulations		
Above EU Threshold for works	Use existing local, national, Council framework or call-off contracts, or Invitation to tender following advertisement in OJEU - Public Contracts Scotland portal or negotiated procedure without prior publication, competitive procedure with negotiation, competitive dialogue or innovative partnerships where permitted by the 2015 Regulations		Approval to award sought from Finance and Resources Committee** or Council
Above EU Threshold for concession contracts	Publication of a Concession Notice in OJEU and compliance with the requirements of the Concession Contracts (Scotland) Regulations 2016	Executive Director approval in consultation with the Chief Procurement Officer (and Head of Legal and Risk) as appropriate) up to £5million	Approval to award sought from Finance and Resources Committee** or Council where the value exceeds £5million

* the estimated value of the contract is the value of the total consideration (not including VAT) which the Council expects to be payable under or by virtue of the contract. Contracts must not be artificially disaggregated.

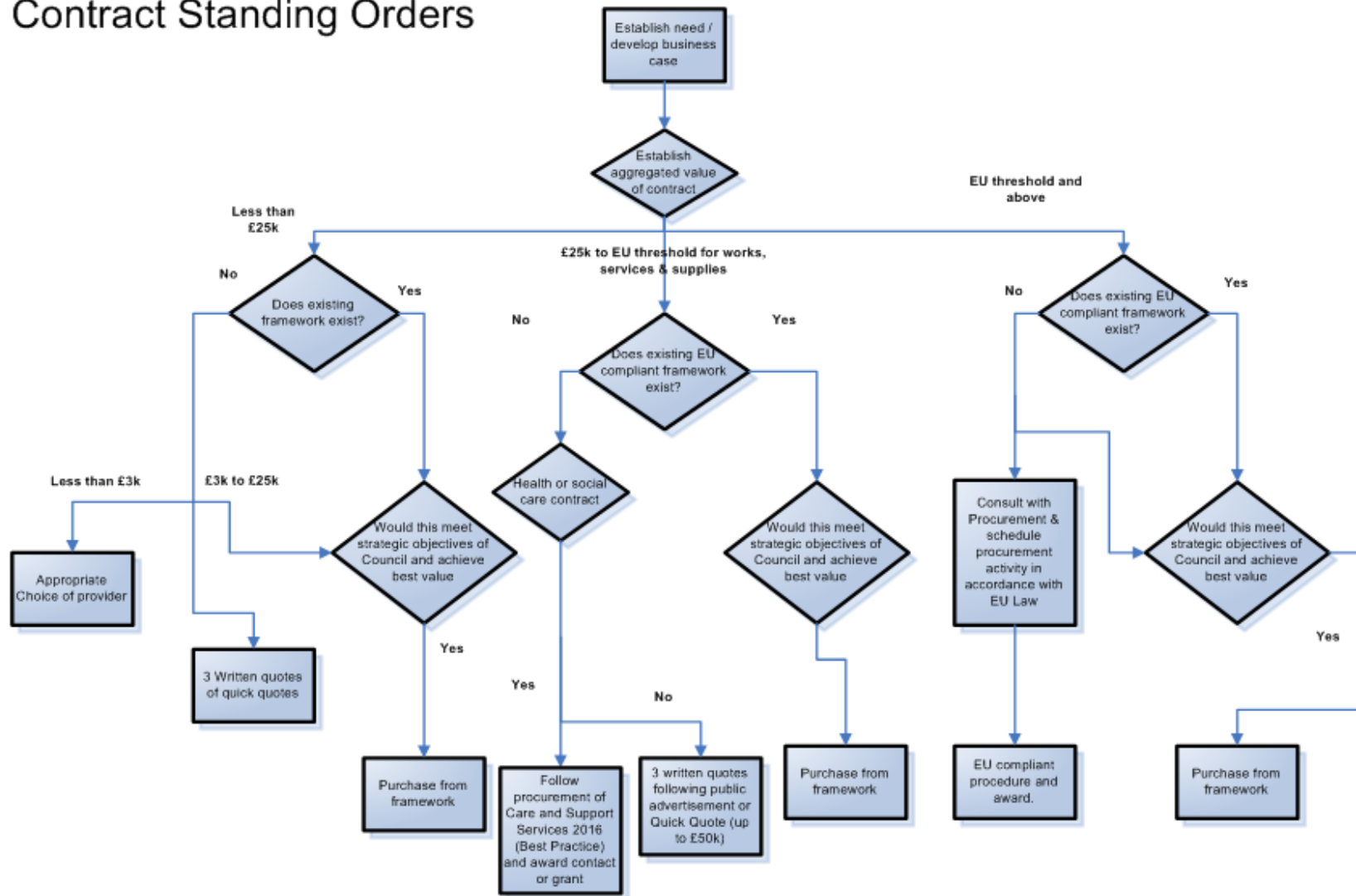
**Pensions contracts may seek the approval of the Pensions Committee.

*** The provisions of 11.9 Consultants shall apply

WAIVER APPROVAL PROCEDURE

Total value for duration of Waiver (aggregation rules apply)*	Approval of waiver	Committee Approval
Up to £3,000	Not required	Not required
£3,000 to £50,000 (excluding consultancy spend)	The relevant Executive Director or Head of Service to whom the relevant Executive Director has appropriately delegated their powers to and the Chief Procurement Officer	Not required
£50,000 -£250,000 (£3,000-£25,000 in the case of consultancy spend)	The relevant Executive Director, and the Executive Director of Resources (or the Chief Executive where the relevant Executive Director is the Executive Director of Resources)	Not required
Above £250,000 (above £25,000 in the case of consultancy spend)		Approval to waive sought from Finance and Resources Committee** or Council as the Chief Executive considers appropriate

Contract Standing Orders



APPENDIX 7

Scheme of Delegation to Officers

Appendix of Changes

Appendix	Existing paragraph	New paragraph	Proposed Change	Reason	Service Area
General	3.16	3.16	Add - to have regard to the Council's procurement handbook	Update in procurement process	Finance
General	3.17		Delete paragraph	Update in procurement process	Finance
General	4.2 (f)	4.2 (f)	Update in legislation	Update in legislation	Chief Executive
General	4.2 (k)	4.2 (k)	Delete Community Justice Authorities	No longer relevant	Safer and Stronger
General	11	11	Change reference from appendix 6 to appendix 7 and consequential changes	Chief Planning Officer is Appendix 7	Place Development – Planning and Building Standards
Appendix 1	P14 - 24	Write off section	writing off or disposing of any stores, plant, furniture, equipment, or other tangible or monetary asset not falling with the scope of the Corporate Debt Policy in accordance with the Financial Regulations provided that: (a) the stores, plant, furniture, equipment or such asset has become unfit for use and unsaleable, or in the case of relevant monetary assets, all reasonable steps to achieve recovery have been exhausted; and	Improved internal controls	Finance

Appendix	Existing paragraph	New paragraph	Proposed Change	Reason	Service Area
			(b) the decision is made in consultation with the Executive Director of Resources;		
App 3	P30	Legal and Risk	Include 'and Risk' in Divisional title	Divisional name is 'Legal and Risk'	Legal and Risk
App 3	P30	Human Resources	Remove '& Organisational Development' in Divisional title	Divisional name is 'Human Resources'	Resources
App 3	P31	Customer Services and Information Technology	Change in Divisional name – include 'Services and Information Technology' after Customer	Interim arrangements as agreed at Council on 3 May 2018	Customer Services and Information Technology
App 3	P32 - See attached changes		Customer wording and responsibility of tasks should move to Human Resources 30. implementing nationally agreed pay awards; 31. approving and making payment of: (a) all salaries, wages, compensations and other emoluments to all employees; (b) pension entitlements to former employees; and (c) tax, national insurance and apprenticeship levy contributions to Her Majesty's Revenue and Customs;	These transactions have now been centralised in HR	From Customer to Human Resources
App 3	P33	Property and Facilities Management	'Amend Divisional' name from Corporate Property to 'Property and Facilities Management'	Change in Divisional name	P&FM - Resources
5	148	9	Delete paragraph and move to Safer and Stronger		
7	Opening text		These are the functions referred to in paragraph 10 of the Scheme should be paragraph 11	Reference wrong	Place Development –

Appendix	Existing paragraph	New paragraph	Proposed Change	Reason	Service Area
					Planning and Building Standards
7	Local Development Plan Preparation – para 1	Change to para 4 and then consecutive numbering	Numbers currently not consecutive in this appendix	To put paragraphs in correct order	Place Development – Planning and Building Standards
7	Local Development Plan Preparation – para 2	Change to para. 5	Wording changed to ‘Publish the Local Development Plan as Modified following Examination’	As agreed by Planning Committee 14/3/18	Place Development – Planning and Building Standards
7	Planning Applications para. 4	Change to para 6	Remove non-material variations from text and add in other application types for clarity	As agreed by Planning Committee 14/3/18	Place Development – Planning and Building Standards
7	Planning Applications para. 4 (b)	remove	Remove text - the decision is in accordance with non-statutory Council adopted policy, or infringements of policy are so minor that refusal or amendment would be unjustified;	As agreed by Planning Committee 14/3/18	Place Development – Planning and Building Standards
7	4 (d)	6 (c)	Add - except where the application is for listed building consent conterminous with an associated householder development;	As agreed by Planning Committee 14/3/18	Place Development – Planning and Building Standards
7		6 (d)	New para. - where approval is recommended and the application is for listed building consent conterminous with an associated householder development, not more than 20 material	As agreed by Planning Committee 14/3/18	Place Development – Planning and Building Standards

Appendix	Existing paragraph	New paragraph	Proposed Change	Reason	Service Area
			objections or a petition have been received from third parties;		
7	4 (e)	6 (e)	Change 6 to 20	As agreed by planning convener 7/5/18	Place Development – Planning and Building Standards
7		6 (f)	New para. - where a petition has been submitted properly headed with material planning considerations, it has not more than 20 signatures of objection in relation to recommendations for approval and not more than 20 signatures of support in relation to recommendations for refusal, other than those cases relating to paragraph 6(d);	As agreed by Planning Committee 14/3/18	Place Development – Planning and Building Standards
7		6 (g)	New para. - Objections from statutory consultees, including community councils, are resolved in relation to applications recommended for approval and there are no outstanding support comments from community councils in relation to applications recommended for refusal.		Place Development – Planning and Building Standards
7	4(f) – 4(o)	6 (h) – 6 (q)	Numbering adjusted		
7	5	7	typo		
7	6	8	Change of wording	Legislative change and clarification	Place Development – Planning and Building Standards
7	7-11	9-13	Numbering adjusted		
7		14	New para. - determining whether a change to a granted planning application is material or not or whether changes are substantial;	As agreed by Planning Committee 14/3/18	Place Development – Planning and

Appendix	Existing paragraph	New paragraph	Proposed Change	Reason	Service Area
					Building Standards
7	12 - 33	15 - 36	Numbering adjusted		
7	25	28	Add in ' or refusing'		
7	26	29	Change 'authorising' to 'determining notifications for'		
7		37	New para. - extending the six-month period for concluding a legal agreement to nine months, provided meaningful progress is being achieved	As agreed by Planning Committee 14/3/18	
7	34 – 37	38 - 41	Numbering adjusted		
8			Add in Data Protection Officer to Statutory Officers list		

10.00am, Thursday, 28 June 2018

Implementing the Programme for the Capital: Coalition Commitments progress to June 2018

Item number	8.3
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The Council Business Plan (A Programme for the Capital: The City of Edinburgh Council's Business Plan 2017-22) was approved by the Council in August 2017. The plan has been built around 52 commitments the Council Administration have pledged to deliver over the next five years. This report sets out the progress against the 52 coalition commitments in the first year of the administration.

Implementing the Programme for the Capital: Commitments progress to June 2018

1. Recommendations

- 1.1 It is recommended that Council:
- 1.1.1 review the progress against the 52 coalition commitments as outlined in the report (Appendix 1);
 - 1.1.2 note that the coalition commitments form part of the wider Council Performance Framework, which includes corporate performance indicators covering corporate performance and council service delivery;
 - 1.1.3 note that 2017/18 corporate performance indicators and Local Government Benchmarking Framework (LGBF) 2016/17 ranking data will be presented to the Corporate Policy and Strategy Committee in August 2018; and
 - 1.1.4 refer this report to the Corporate Policy and Strategy Committee for further scrutiny at its meeting in August 2018.

2. Background

- 2.1 The Council Business Plan (A Programme for the Capital: The City of Edinburgh Council's Business Plan 2017-22) was approved at City of Edinburgh Council in August 2017. The plan sets out the administration's priorities and what will be achieved over the five-year period.
- 2.2 Given the importance of holding ourselves to account on delivery of commitments, a Performance Framework has been developed to support their implementation. The framework was approved by City of Edinburgh Council on 23 November 2017 and referred to Corporate Policy & Strategy Committee for further scrutiny.
- 2.3 A refined set of commitment measures and actions were presented to Corporate Policy and Strategy Committee on 27 February 2018. These were agreed, on the understanding that a final set of indicators would be submitted to the relevant Executive Committees for scrutiny and approval.
- 2.4 In the period May to June 2018, Executive Committees agreed the actions, measures, and targets for the commitments they are responsible for delivering. Executive Committees will consider performance and scrutinise indicators, improvement actions, issues, and opportunities on a regular basis.

3. Main report

3.1 Since the Business Plan was agreed in August 2017, the Council has dedicated resources to ensure that plans are in place to deliver on the commitments, a number of which are longer term and are planned to be delivered over the course of the administration.

3.2 A detailed overview of the commitments, is outlined in Appendix 1. This highlights that significant progress has been achieved in:

- developing new strategies, improvement plans and projects to ensure the delivery of the commitments over the five-year term; and
- developing the actions, measures and, where applicable, targets required to deliver the commitments within planned or future work.

3.3 We have broken the commitments into three distinct groups:

“On Track”	commitment on track with the relevant actions and measures in place to monitor delivery	46 commitments
“Commencing on”	planned to commence in 2018/19	5 commitments
“Off Track”	actions and measures have been identified, however timescales may not be achieved or, actions and measures have not yet been identified	1 commitment (service lead requires to be identified)

3.4 There have been a number of notable achievements in 2017/18. These include:

3.4.1 Development of a new Economy Strategy for Edinburgh

Promoting inclusion and innovation while tackling poverty are at the heart of the five-year Economy Strategy which was approved by the Housing and Economy Committee in June 2018.

The Strategy has been developed around three themes - innovation, inclusion and collaboration, and includes eight steps with actions plans to achieve this. The Council is now working with the public, private and third sectors in the city to deliver the strategy and fully explore the opportunities to promote, advance and sustain good growth practices.

Commitment 2

Create the conditions for businesses to thrive. Invest in supporting businesses, social enterprise, training in hi tech, creative and other key sectors including co-operatives. Help link business with young people to ensure the workforce of the future is guaranteed work, training or education on leaving school.

3.4.2 The creation of a Homelessness Task Force.

Councillor Kate Campbell has been appointed chair of the task force and Homelessness Champion. The cross-party homelessness task force recommended a number of outcomes to the Housing and Economy Committee in June 2018 which, when implemented, will improve the quality of life for some of the most vulnerable people in the city. Included in these was a recommendation to progress a shared housing model to replace the traditional bed and breakfast model, ensuring that contracted accommodation provides access to cooking, food storage and laundry facilities.

In order that homeless people can get quicker access to a permanent home, the EdIndex board agreed in December 2017 to provide an additional 275 homes for homeless people to access through the allocations process.

Commitment 9

Create a Homeless Task Force to investigate the growing homelessness problem in the city. The team will review the use of B&B premises and explore alternatives that better meet the needs of individuals and families with an aim to end the use of bed and breakfast facilities. Appoint a Homelessness Champion who will chair the Task Force.

3.4.3 Publication of extensive research exploring the potential impacts and benefits of introducing a Transient Visitor Levy in Edinburgh.

Research regarding an Edinburgh Transient Visitor Levy (TVL) was presented to Council in May 2018. The report outlined the findings from a comprehensive desk-based exercise, which examined the Edinburgh accommodation sector, the policy context and examples of a similar TVL in other cities. It highlighted ways in which revenue could be invested into local services to the benefit of residents, visitors and the tourist industry itself, such as investing in parks, public spaces, clean streets and reduced ticket prices for cultural attractions.

Work will now be undertaken to deliver further formal engagement and research activities, as well as ongoing politically led engagement with elected members and the tourist and hotel industry during summer 2018.

Commitment 48

Continue to make a case to the Scottish Government for the introduction of a Transient Visitor Levy and explore the possibility of introducing more flexibility in the application of business rates. Explore the possibility of introducing a workplace parking levy.

3.4.4 **Establishing a new Locality Committee structure, comprising four new committees.**

All four Locality Committees are now in operation and comprise of all elected members of the locality area. The first meetings agreed the membership, remit and terms of reference of the committee which enables them to make decisions independently on matters in their local area. This is a new way of working for the City of Edinburgh Council.

Commitment 52

Devolve local decisions to four Locality Committees. Establish the membership of each Committee and how devolved decision making will work to encourage the maximum participation for local groups. Explore the effectiveness of community councils and how they can be enhanced to represent their local communities.

3.4.5 **Securing the Edinburgh and South East Scotland City Region Deal**

The six local authorities that make up the Edinburgh and South East Scotland City region, together with regional universities, colleges and the private sector signed the Heads of Terms on a City Region Deal with a value of over £1.1bn in July 2017. The final sign off is anticipated in summer 2018.

The Deal will drive productivity and growth while reducing inequalities and deprivation. Key commitments include: £300m for world leading data innovation centres, £140m for crucially needed A720 city bypass at the Sheriffhall Roundabout and transport improvements across west Edinburgh, £20m capital funding for new world class concert hall, £25m regional skills programme to support improved career opportunities for disadvantaged groups and £65m of new funding for housing to unlock strategic development sites

Commitment 6

Deliver the City Region Deal, making sure the benefits of investment are felt throughout the city and create space for new businesses to start and grow.

3.4.6 **Commenced delivery of expansion plan to increase early learning and childcare provision from 600 to 1140 hours by 2020**

In response to the Scottish Government's commitment to increase funded nursery hours to 1140 by 2020, an expansion plan is being implemented to provide the additional hours. Phase 1 began in August 2017, with 25 local authority settings offering 1140 hours to parents. Phase 2 of the expansion will begin in August 2018. In addition to the Phase 1 settings, a further 21 local authority settings are being considered to provide additional hours.

The popularity of the additional hours has led to an increase in demand at settings where there has previously been a low uptake of places. Criteria for identifying settings and allocating places has been adopted to ensure the provision of the additional hours is accessed by those who will benefit the most.

Commitment 32

Double free early learning and child care provision, providing 1140 hours a year for all 3 and 4 year olds and vulnerable 2 year olds by 2020.

4. Measures of success

- 4.1 A suite of performance measures and actions has been developed to assess progress towards commitments. Commitments with quantitative measures have been updated with current data where available. The monitoring of commitment progress forms part of the Council's performance framework.

5. Financial impact

- 5.1 The financial impact is set out within the individual commitments and the Council Business Plan.

6. Risk, policy, compliance and governance impact

- 6.1 Risk, policy, compliance and governance impact is integrated within the commitments and the Council Business Plan.

7. Equalities impact

- 7.1 Equalities impact is integrated within the commitments and the Council Business Plan.

8. Sustainability impact

- 8.1 Sustainability impact is integrated within the commitments and the Council Business Plan.

9. Consultation and engagement

- 9.1 The commitments actions and measures have been developed in collaboration with Elected Members, Senior and Service Managers. This has included regular discussions at Corporate Leadership Team and Leaders meetings, discussions with

cross-party leaders and Conveners of Executive Committees regarding commitments relevant to their Committee.

10. Background reading/external references

- 10.1 [Programme for the Capital: City of Edinburgh Council's Business Plan 2017-22](#)
- 10.2 [Implementing in Programme for the Capital – Council Performance Framework 2017-22](#)
- 10.3 [Implementing the Programme for the Capital: Council Performance Framework 2017-22 – referral from City of Edinburgh Council](#)
- 10.4 [Implementing the Programme for the Capital: Coalition Commitments](#), Corporate Policy and Strategy Committee 15 May 2018
- 10.5 [Implementing the Programme for the Capital: Coalition Commitments](#), Transport and Environment Committee 17 May 2018
- 10.6 [Implementing the Programme for the Capital: Coalition Commitments](#), Education, Children and Families Committee 22 May 2018
- 10.7 [Implementing the Programme for the Capital: Coalition Commitments](#), Planning Committee 20 May 2018
- 10.8 [Implementing the Programme for the Capital: Coalition Commitments](#), Housing and Economy Committee 7 June 2018
- 10.9 [Implementing the Programme for the Capital: Coalition Commitments](#), Finance and Resources Committee 12 June 2018
- 10.10 [Implementing the Programme for the Capital: Coalition Commitments](#), Culture and Communities Committee 19 June 2018

Andrew Kerr

Chief Executive

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11. Appendices

1. Coalition Commitments progress to May 2018

Appendix 1 - Coalition Commitments Progress to June 2018

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current metrics	Target	Progress to date	Progress Status			
A Vibrant City	Citizens lead healthy and active lives with improved wellbeing	C2	Create the conditions for businesses to thrive. Invest in supporting businesses, social enterprise, training in hi tech, creative and other key sectors including co-operatives. Help link business with young people to ensure the workforce of the future is guaranteed work, training or education on leaving school.	Monitoring contained within the Economy Strategy's Good Growth Monitoring Framework	Positive destinations of school leavers	92.5% for 16/17	Annual target 94% for 16/17	<p>The Economy Strategy which sets out how the Council and its partners will deliver inclusive growth across the city was agreed at the Housing and Economy Committee on 7 June 2018. A part of the Strategy a Good Growth Monitoring Framework was established to monitor progress towards the Strategy vision. The measures from the strategy most relevant to this commitment have been included.</p> <p>The commitments measures and actions have been agreed by the Housing and Economy Committee on 7 June 2018.</p> <p>The Council and its partners are now working to deliver on the priorities and actions detailed in the Strategy.</p>	On track		
					Employees in employment	255,900 for 2017	Increasing trend (269,000 by 2022)				
	% of children living in a low-income household				22% for 2015	Decreasing trend (18% by 2020)					
	Median gross weekly earnings				£623 for 2017	Increasing trend (£710 by 2020)					
	Economically active residents as a % of all residents aged 16-64				76.6% for 2017	Increasing trend (78% by 2022)					
	% of workers in managerial, professional and technical/scientific occupations				56% for 2017	Maintain (56% by 2022)					
	Ratio of workers in high skilled occupations to workers in mid skilled occupations				2.5 for 2017	Decreasing trend (2.10 by 2022)					
	Gross Value Added per capita				£38,396 for 2016	Increasing trend (£41,000 by 2021)					
	% of residents who feel confident about their job prospects				63% 2014-16 average	Increasing trend (70% 2019-21 average)					
	% of residents who say their financial position has improved in the past 12 months				20% 2014-16 average	Maintain (20% 2019-21 average)					
Our places and localities make Edinburgh a great and unique place to visit and study	C3	Work with the business community to grow the number of Living Wage employers year on year.	Encourage contractors, suppliers and ALEOs to pay the real living wage	Number of Real Living Wage employers contracted to CEC	Information on Council contractors and their work practices such as those using negative zero hours contracts will be collated in 2018/19	Increasing trend	The commitments measures and actions have been agreed by the Housing and Economy Committee on 7 June 2018.	On track			
Our economy thrives with excellent and equal opportunities for business, employment and innovation											
	C7	Improve access to employment and training opportunities for people with disabilities.	Actions contained within specific CEC projects (e.g. project search)	Number of people with disabilities who have access to employment and training opportunities	Baseline to be established	Target to be established	Economic Development are writing a report for Housing and Economy Committee on the 30 August will outline achievable targets and measures to improve access to employment for people with disabilities. Subject to approval of this report measures and actions will be include going forward.	Commencing August 2018			
	C37	Continue to integrate Health and Social Care Services. Review the Integration Joint Board's approach to support at home by 2018.	Completion of IJB Phase 2 & 3 restructure	Percentage of adults receiving personal care in the community setting (out of all adults receiving this support in a community, residential or hospital setting)	57.3% for Mar 18	60% by Apr 2019	Outline Strategic Commissioning Plans (OSCP) for all client groups were agreed at the IJB meetings on 26 January 2018 and 2 March 2018 . These outline plans are the means of communicating progress to date and action plans until the presentation of the Strategic Commissioning Plans to the December 2018 meeting of the IJB.	On track			
Review of support at home completed by 2018									Late discharge from hospital	267 for Mar18	No one to wait more than 72 hours for discharge
									Percentage of adults supported at home who agree that their health and care services seemed to be well co-ordinated	67% in 17/18	Scotland's average for 17/18 is 75%, Aim to be above the national average

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current metrics	Target	Progress to date	Progress Status		
A Vibrant City	Citizens lead healthy and active lives with improved wellbeing	C38	Take steps to increase the length and flexibility of care visits and increase the availability of care to help people live in their own homes.	Review of support at home completed by 2018	Percentage of adults receiving personal care in the community setting (out of all adults receiving this support in a community, residential or hospital setting)	57.3% for Mar 18	60% by Apr 2019	Outline Strategic Commissioning Plans (OSCP) for all client groups were agreed at the IJB meetings on 26 January 2018 and 2 March 2018 . These outline plans are the means of communicating progress to date and action plans until the presentation of the Strategic Commissioning Plans to the December 2018 meeting of the IJB. Phase 1 of the Sustainable Community Support project commenced in late May 2018 and includes a demand and capacity analysis and options appraisal focused on measures to resolve the short term challenges with the current Care at Home contract. Phase 2 will commence in July 2018 and will focus on the longer term redesign based on the Phase 1 options evaluation.	On track	
					Number of people waiting for a package of care	964 for Mar18	Decreasing trend			
					Percentage of adults supported at home who agree that they are supported to live as independently as possible	79% for 17/18	Scotland's average for 17/18 is 81%, Aim to be above the national average			
		C39	Put exercise at the heart of our health strategy by increasing access to sport and leisure facilities.	Continued delivery through the Active Schools Programme	Attendance at sport and leisure facilities (Edinburgh Leisure)	4,471,704 for 17/18	4,687,674		Active Schools Programme continues to be delivered and the 2016/17 figure represents 37% of the school roll. A Grants Review Steering Group has developed a number of priorities for the awarding of grants including the promotion of healthy lifestyles which includes physical activity and healthy eating.	On track
					Number of young people participating in sport, physical activity and outdoor learning (includes Active Schools Programme)	22,431 for 16/17	Increasing trend			
		C41	Review the application process and increase the budget for housing adaptations with a view to supporting more disabled tenants and owners to remain in their own homes. Help older and disabled homeowners to move to more suitable housing should they wish to do so.	Establish joint working arrangements between Health & Social Care and Housing Application process and budget review by 2018	Review levels of demand and budget for adaptations	Baseline to be established	Targets to be set end of 2018/19, following the review		The commitments measures and actions have been agreed by the Housing and Economy Committee on 7 June 2018. We are yet to establish the joint working arrangements between Edinburgh Health and Social Care Partnership and Housing Adaptations that are required to review the process in 2018/19.	Commencing end of 2018/19
	Number of older and disabled homeowners supported to move to more suitable housing				Baseline to be established					
	C42	Build a new sports centre at Meadowbank by 2021.	Actions contained within and progress monitored through the project to deliver a new Meadowbank sports centre and the wider regeneration of the area	New sports centre built, subject to planning approval	Is linked to sign off of the project plan	2021	Progress on the project to deliver a new Meadowbank stadium was reported to the Culture and Communities Committee on 30 January 2018. Following public consultation, planning applications for the site to be considered at the Development Management Sub-Committee on 29 June 2018.	On track		
	C44	Increase allotment provision and support and expand the network and the number of community gardens and food growing initiatives.	Increase provision at current sites	Number of allotment plots	1,724 plots across 44 sites	Increasing long term trend	The commitment measures and actions have been agreed by the Culture and Communities Committee on 19 June 2018. Actions to increase allotment provision are identified in the Allotment Strategy 2017-2027 . Culture and Communities Committee have agreed to the creation of a specially designed garden for those who suffer memory loss at the city's Lauriston Castle. The Councils HRA Innovation Strategy project is increasing the number of community gardens in the city, with 23 already established, 2 in development and 6 at design stage.	On track		
				Review potential new sites and funding mechanisms for allotments	Reductions in waiting lists	2,510 people on the waiting list			Decreasing long term trend	
				Creation of Housing and Cultural Venue community gardens	Number of community gardens and food growing initiatives	Baseline to be established			Increasing long term trend	
	C46	Continue to support the city's major festivals which generate jobs and boost local businesses and increase the funding for local festivals and events. Support the creation of further work spaces for artists and craftspeople.	Support local festivals and events through a newly created £100K fund	Fund for local festivals and events created as reported to Committee in March 2018	100k set for 2018/19 budget	100k	The recommended core programme of Festivals and Events for 2018/19 was reported to the Culture and Communities Committee in March 2018. The report describes the approach to support events on three tiers, or levels, of international, national and city importance. It also details the £100k allocation to a Local Festival and Event Programme Budget. The final recommendations for the Platforms for Creative Excellence will be due in August 2018. The Council is finalising the details for the IMPACT Scotland proposals as part of the City Region deal. The commitment measures and actions have been agreed by the Culture and Communities Committee on 19 June 2018.	On track		
Deliver the major Festivals Place Programme in partnership with the Scottish Government and the 11 major Festivals				The Platforms for Creative Excellence reported to Committee in March 2018 with final recommendations due in August 2018	n/a	Aug 2018				
Contribute to the delivery of the IMPACT Scotland cultural venue in St Andrew Square to support Edinburgh's festivals and communities				Final details of IMPACT Scotland proposals forming part of City region Deal due for sign off June 2018.	n/a	Jun 2018				
Number of work spaces for artists and craftspeople				Baseline to be established	Increase by 2022					

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status
A City of Opportunity	Everyone, regardless of wealth and background can fulfil their potential and benefit from the city's success	C1	Deliver a programme to build at least 10,000 social and affordable homes over the next 5 years, with a plan to build 20,000 by 2027.	Progress monitored through the Strategic Housing Investment Programme Annual Progress Report	Approvals of new affordable homes for the year	1,475 for 2017/18	10,000 over 5 years 20,000 by 2027/28	On track
		C4	Direct development to growth corridors as the best way to accommodate the extra housing needed for Edinburgh's growth and allowing the city to manage and protect green belt.	Progress monitored through Local Development Plan	Successfully adopt a new local development plan which implements commitment and minimises additional greenfield development	Project to develop new LDP now underway	Nov 2021	On track
	All children and young people have the best start in life and are able to reach their full potential	C6	Deliver the City Region Deal, making sure the benefits of investment are felt throughout the city and create space for new businesses to start and grow.	Full City Deal document and implementation plans delivered that are environmentally and socially sustainable and which provide for inclusive economic growth	Establishment of Joint Committee Financial Profile agreed with UK & Scottish Government Deal Document signed Regional Business Leadership Council formed Integrated Regional Skills Board formed	In progress	Summer 2018	On track
			Citizens are socially connected and able to participate and develop throughout their lifetime		Projects delivered within programme	After council agreement ratified by Governments	15 year programme to continue from Summer 2018 to 2032	The commitment measures and actions have been agreed by the Corporate Policy and Strategy Committee on 15 May 2018.
	Everyone has access to suitable housing, facilities and amenities	C8	Explore the introduction of fair rent zones.	Commission analysis to provide the Council with a better understanding of the variation in rents and incomes across the city. A multi-disciplinary officer working group has been established to progress the joint work with the other local authorities to develop a shared methodology to inform evidence gathering.	Completion of further analysis. Development of evidence gathering methodology.	n/a	Summer 2018	On track
		C9	Create a Homeless Task Force to investigate the growing homelessness problem in the city. The team will review the use of b&b premises and explore alternatives that better meet the needs of individuals and families with an aim to end the use of bed and breakfast facilities. Appoint a Homelessness Champion who will chair the Task Force.	Homeless Task Force created with clear remit Role of Homelessness Champion clearly defined Homelessness Champion appointed Implement the "Housing First" approach	Number of families accommodated in B&B Number of 16/17 year olds or care leavers accommodated in B&B Number of people in B&B Length of stay in B&B Number of people sleeping rough Number of accommodation units Number of homelessness presentation	75 families 50% of 16/17 year olds 650 households Baseline to be established Baseline to be established B&B 569 for 16/17 Flats 375 for 16/17 Supported units 172 for 16/17 STLs 184 for 16/17 Hostels 528 for 16/17 3,102 households in 2017/18	0 Targets to be set as part of Homelessness Task Force reporting	On track

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status		
A City of Opportunity	Everyone, regardless of wealth and background can fulfil their potential and benefit from the city's success	C10	Prioritise the use of brownfield sites and work with public sector and private landowners to develop land for affordable housing.	Progress monitored through the Annual Housing Land Audit and Local Development Plan	Successfully adopt a new local development plan which implements commitment and minimises additional greenfield development	Plan is underway	Nov 2021	Planning Committee on 12 October 2017 agreed the actions required to increase the supply of housing within the city, as set out in the review of the Housing Land Audit and Delivery Programme . Project to develop new Local Development Plan is now underway.	On track	
			Unlock access to key brownfield development sites	% of capacity of units in effective land supply which are on brownfield land	55% for 2017	Increasing trend	The commitment measures and actions have been agreed by the Planning Committee on 30 May 2018.			
		C28	Create a first-class education estate – building 2 new secondary schools and 10 new primaries by 2021. Ensure safe standards are met by rigorous inspections of new and existing school buildings.	Condition surveys over a five year rolling programme, with an annual update to demonstrate full compliance with statutory testing, resulting in prioritised investment to ensure all health and safety risks are addressed	Number of new schools where construction has commenced	2	Construction commenced for 2 secondary schools and 10 primary schools by 2021	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018.	One primary school near completion (St. John's PS), work started at one secondary (Queensferry HS) and planning applications to be submitted for three primaries. An exercise to review the entire estate was completed in September 2017. New programme of surveys in place.	On track
				Percentage of conditions surveys completed	100%	100% of the school estate surveyed by Autumn 2022				
		All children and young people have the best start in life and are able to reach their full potential	C29	Improve and protect access to additional languages and music tuition and encourage more children and young people to gain vital skills in construction, engineering, digital technology, maths and science.	Delivery of the 'One plus Two Language' plan	% of Primary Schools delivering Language 2 progressively	90% for 17/18	100% by 2020	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018. Supported by the City of Edinburgh Council Education Authority Improvement Plan and 'One plus Two Language' plan. Music tuition is supported through the emerging Lifelong Learning Plan. The annual census of instrumental music will be completed by early July. Schools will be engaging in the 'Raising Aspirations in Science Education' (RAiSE) Scottish Government programme.	On track
					Continue to develop the opportunities to engage in the study of language and culture of another country	Number of children and young people accessing music tuition	18,100 for 2017	Increase by 5% (Primary & Secondary combined)		
	Improved access to, and learner pathways for, the creative arts via the combined approaches of Instrumental Tuition and the Youth Music Initiative				% of schools engaging with the RAiSE programme	86% for 17/18	Increase by 5% per annum over next three years			
	Improved partnership with the FE sector				Percentage of children achieving expected CfE level for numeracy by Primary 7	75.6% for Jun 2017	Increase by 2% per annum to session 21/22			
	Everyone has access to suitable housing, facilities and amenities	C30	Increase the number of classroom assistants and support staff for children with additional needs to improve attainment and wellbeing.	Ongoing recruitment of pupil support staff	Number of pupil support assistants employed (Special Educational Needs and Special Schools)	584 FTE (budgeted) for session 2017/18	Increase by 50 FTE by session 20/21	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018. Pupil support assistants recruitment continuing throughout school session. New training for pupil support assistants for all sectors to be delivered from session 2018/19.	On track	
				New training for all pupil support assistants across all sectors	Number of pupil support assistants trained in wellbeing and attainment	Baseline to be established in 2018/19	100% by session 21/22			
	C31	Expand training opportunities for adults and young people linking with colleges and expanding vocational education.	Continuing partnership work between schools and Edinburgh College to develop curriculum offering and vocational opportunities	Number of senior phase age pupils studying vocational qualifications delivered by Edinburgh college	251 for 2017	Increase by 2% per annum	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018. Schools and Lifelong Learning are supporting the Edinburgh College Curriculum Strategy and schools-college partnership groups. Continued delivery of adult education programmes across the city supported through the emerging Lifelong Learning Plan.	On track		
				Number of learners engaging in the Adult Education Programme	Baseline to be established	14,000 for 2018/19				
C32	Double free early learning and child care provision, providing 1140 hours a year for all 3 and 4 year olds and vulnerable 2 year olds by 2020.	Actions contained within and progress monitored through the Early Learning and Childcare Expansion Plan	% of Early Years settings providing 1140 hours of funded Early Learning and Childcare	29% (28 from 96) for Mar18	100% by Aug 2020	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018. Commitment is being delivered through actions contained within the Early Learning and Childcare Expansion Plan. Current progress and next steps reported to E,C&F Committee May 2018 . This report sets out the phased approach to increasing provision to 1140 hours free, for those eligible.	On track			
			% of vulnerable 2 year olds accessing 1140 hours	12% (137 children) for 17/18	100% by Aug 2020					

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status	
A City of Opportunity	Everyone, regardless of wealth and background can fulfil their potential and benefit from the city's success	C33	Make early years' provision more flexible to fit families' needs and provide additional resources to families in difficulty so that no children are educationally disadvantaged when they start formal schooling.	Actions contained within and progress monitored through the Early Learning and Childcare Expansion Plan	% of Early Years settings providing more than one option of early learning and childcare for parents	45% (43 from 96 settings) for Mar18	100% by Aug 2020	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018.	On track
					% of Primary 1 pupils living in the most deprived areas achieving expected literacy level	62% for Jun 2017	Increase by 5% by session 20/21	Commitment is being delivered through actions contained within the Early Learning and Childcare Expansion Plan. Current progress and next steps reported to E,C&F Committee May 2018 . Flexible options were set out in the Early Learning and Childcare Strategy reported to E,C&F in August 2017. Flexible options are being delivered through settings providing the expanded 1140 hours and the existing 600 hours.	
	All children and young people have the best start in life and are able to reach their full potential	C35	Improve access to library services and community centres making them more digital, and delivering them in partnership with local communities.	Deliver assisted digital by providing customer support in locations across the city, to increase confidence and knowledge enabling use of digital channels including library services	Digital use – downloads and streaming	461,000 for 17/18	Increase by 5% for 18/19	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018.	On track
					Total number of library customer transactions	6,93m for 17/18	Increase by 5% for 18/19	Actions set out within the new Edinburgh Strategic Partnership Community Learning and Development Plan 2018 – 21. The plan is in development and will be published in September 2018.	
	Citizens are socially connected and able to participate and develop throughout their lifetime	C36	Support the continued development of Gaelic Medium Education.	Actions contained within and progress monitored through the Gaelic Language Plan 2017-22 Provision of progressive Gaelic Medium Education (GME) into secondary school	Deliver facilities for Secondary GME	Identification of site	Final draft of a Strategic growth plan for GME including long term timelines for increasing teacher numbers, improving the curriculum and delivering accommodation requirements to be prepared for August/September 2018	The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018.	On track
					Number of pupils on the rolls of Primary and Secondary GME	306 Primary for 16/17 88 Secondary for 16/17	Final draft of a Strategic growth plan for GME including long term timelines for increasing teacher numbers, improving the curriculum and delivering accommodation requirements to be prepared for September 2018.		
	Everyone has access to suitable housing, facilities and amenities	C45	Establish a Child Poverty Action Unit to address the inequalities faced by children in poverty in our city. Its remit will look at food security and nutrition, tackle food poverty and holiday hunger and enhance nutrition in schools. Ensure that a Poverty Assessment section features in all Council reports.	Child Poverty Action Unit remit defined and Unit created Poverty assessment section added to Council report template	% of children living in poverty	Baseline to be established	Targets to be set end of 18/19	The commitment measures and actions have been agreed by the Culture and Communities Committee on 19 June 2018.	On track
					Financial gains achieved for families through the Income Maximisation programme	Baseline to be established	The City of Edinburgh Council received additional funding for through the Pupil Equity Framework which aims at closing the poverty related attainment gap. The key stages required to establish an Edinburgh Poverty Commission will be reported to Council on 28 June 2018.		

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status	
A Resilient City	Communities are safe, strong and able to cope with change Our built and natural environment is protected and enhanced Edinburgh is a low carbon, connected city with transport and infrastructure that is fit for the future Edinburgh is clean, attractive and well looked after	C15	Protect Edinburgh World Heritage Status and make sure developments maintain the vibrancy of our city in terms of placemaking, design and diversity of use.	Actions are contained within the new World Heritage Site Management Plan 2017-2022 (the 6 Key Challenges with the site)	Monitor the progress of short term actions in the World Heritage Site Management Plan with the World Heritage Site Steering Group	n/a	Targets to be set end of 18/19	On 11 December 2017 Planning Committee approved the Old and New Towns of Edinburgh World Heritage Site Management Plan 2017- 2022 . The Plan is a strategic document which sets the framework for the preservation and enhancement of a Site’s cultural heritage. It contains a vision for the Site and objectives and delivery mechanisms for its achievement. The commitment measures and actions have been agreed by the Planning Committee on 30 May 2018.	On track
		C16	Invest £100m in roads and pavements over the next 5 years. This will include road and pavement maintenance, installing more pedestrian crossings, increasing the number of dropped kerbs and dedicate safer foot and cycle paths as well as introducing more pedestrian zones.	Create and monitor Roads Asset Management Plan	Road Condition Index Level of total road investment Residents satisfaction with roads, pavements and footpaths	36.4% for 17/18 Over £20m spent in 2017/18 Roads - 51% (EPS 2017) Pavements - 53% (EPS 2017)	36% for 17/18 £100m by 2022 Increasing trend	The first draft of the Roads Asset Management Plan (RAMP) was approved by Transport and Committee on 9 March 2018. The purpose of the RAMP is to set out future maintenance and management of the overall road network. Implementation of this plan has commenced. The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018 2018.	On track
		C17	Guarantee 10% of the transport budget on improving cycling in the city.	Undertake assessment on cycling conditions	Percentage of investment guaranteed Residents perception of cycling in the city	10% guaranteed for 2017/18 & 2018/19 54% think the amount of cycle routes is good 47% think the condition of cycle routes is good	10% Increasing trend (Bike Life survey)	The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018. The Councils budget for 2018/19 has set aside 10% of the Transport budget (capital and revenue) for cycling.	On track
		C18	Improve Edinburgh’s air quality and reduce carbon emissions. Explore the implementation of low emission zones.	Improve and reduce the number of the Air Quality Management Zones Establish Edinburgh’s first low emission zone by 2020 and revise the current Air Quality Action Plan Actions contained within the Sustainable Energy Action Plan	City of Edinburgh Council’s carbon emissions (measured in tonnes of carbon dioxide equivalent) Air Quality Management Zones improvement CEC and Lothian Buses Green fleet	192,911 tCO2 in 2005/06 6 Air Quality Management Areas 68% - 2016	Increase to 118,169 tCO2 by 20/21 (42% against baseline) Decreasing long term trend 75% meeting Euro V standard by 2018	Progress on air quality actions were reported to Transport and Environment on 5 October 2017. On 17 May 2018 the Transport and Environment Committee agreed the approach to developing Low Emission Zones and improving air quality in the city. Actions are contained within the Sustainable Energy Action Plan 2015-2020 . Actions contained within the Lothian Buses fleet replacement strategy. The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.	On track
		C19	Keep the city moving by reducing congestion, improving public transport to rural west Edinburgh and managing road works to avoid unnecessary disruption to the public.	Create Congestion Action Plan with Lothian Buses, Edinburgh Trams and other public transport providers Identify improvement actions to public transport in rural west Edinburgh	Establish congestion measure and action plan Increase in satisfaction with public transport Increase in bus provision in rural west	To be developed 90% (EPS 2017) Identify funding requirements	Aug 2018 Increasing trend Targets to be set end of 18/19	A report will be presented to August Transport and Environment Committee on improving public transport and congestion looking at potential improvement in bus lane operations, enforcement, traffic signals and tram operations. A new bus operator framework which aims to address transport issues in rural west to be agreed in 2018/19.	Commencing August 2018
		C20	Explore the introduction of a lane rental for utility companies to reduce traffic pressures.	Identify legal requirements Produce a business case	Reduced traffic pressures measures to be established as part of a business case	n/a	Targets to be set following business case approval	The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 th May. A business case to explore the introduction of lane rental charges is being prepared to be completed in 2018/19.	Commencing end of 2018/19
		C22	Deliver the tram extension to Newhaven by 2022 after reviewing the business case and delivery plan to ensure they are robust.	Actions contained within the Outline Business Case	Decision to deliver the Tram extension to Newhaven Delivery of the Tram extension if decision made	Decision by Committee following full consultation n/a	Aug 2018 2022	The Outline Business Case for taking trams to Newhaven was approved by the City of Edinburgh Council on 21 September 2017. A major public consultation exercise took place in March and April 2018, ahead of the Final Business Case being prepared later in 2018. The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.	On track

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status		
A Resilient City	Communities are safe, strong and able to cope with change	C23	Implement improvement plans for Waste and Cleansing Services to improve street cleanliness in every ward. Reintroduce a free bulky item collection service to tackle fly tipping.		LEAMS – street cleanliness index	92.40%	95%	<p>The final progress update on the Waste Improvement Plan was considered by the Transport and Environment Committee on 9 March 2018. The service will continue to deliver on the actions and additional activities. Through the lifetime of the plan, street cleanliness has improved from 90.1% in 2015/16 to 92.4% in 16/17. The Routesmart system is being introduced across the different waste collection services. This software will in the future be used to identify the route completion rates. The Committee also agreed to postpone further changes to the special uplift pricing structure until a pilot collection service to encourage the reuse of materials has been complete. Complaint levels for individual collections reached its lowest levels for individual collections since August 2014.</p> <p>The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.</p>	On track	
				Examine cost and service impact of reintroduction of free bulky item uplift	Percentage of wards with improved street cleanliness	92.4% for 16/17	95%			
				Development of a new monitoring tool for street/place cleanliness	Route completion rates	To be developed	n/a			
				The final Waste and Cleansing Improvement Plan was reported to T&E in March 2018	Reduction in missed bin complaints	1,552 (Jan 2018)	Decreasing trend			
					Incidences of fly tipping	508 (Jan 2018)	Decreasing trend			
	Our built and natural environment is protected and enhanced	C24	Reduce the incidence of dog fouling on Edinburgh's streets and public parks.	The final Waste and Cleansing Improvement Plan was reported to T&E in March 2018		Dog fouling service requests	2,567 for 17/18	Increase reporting, decrease incidents	<p>The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.</p> <p>The 'Our Edinburgh' campaign to focus on social responsibility and community participation is underway and this includes targeted campaigns to reduce dog fouling. Keep Scotland Beautiful will be caring a pilot of a new street cleansing monitoring tool in the City Centre in June 2018 with a view to implement this citywide thereafter.</p>	On track
						Fixed penalty notices for dog fouling	12 for 16/17			
	Edinburgh is a low carbon, connected city with transport and infrastructure that is fit for the future	C25	Increase recycling to 60% from 46% during the lifetime of the administration.	The final Waste and Cleansing Improvement Plan will be reported to T&E in March 2018		Percentage of Waste Recycled	42.6% for 17/18	60% by 2022	<p>A report on the Enhancement of Communal Bins was reported to Transport and Environment Committee in December 2017. This report initiated a review of all communal bin locations and types, allowing for the opportunity to ensure that recycling bins are co-located with landfill bins wherever possible to further increase the city's recycling rate.</p> <p>The final progress update of the Waste Improvement Plan was reported to Transport and Environment Committee in March 2018. The Improvement Plan identifies the actions required to increase recycling through improving facilities and developing communications campaigns for communal areas.</p> <p>The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.</p>	On track
	Edinburgh is clean, attractive and well looked after	C26	Improve parking for residents by expanding provision of park and rides for commuters.	Actions contained within the Local Transport Strategy 2014-19, Parking Action Plan		Increase the number of park and rides and spaces within existing provision	Review existing usage and provision	Increasing trend	<p>Actions to improve usage within existing Park and Ride sites are contained within the Local Transport Strategy 2014-19. On the 17 May 2018 the Transport and Environment Committee agreed not to progress with a new Park and Ride site at Lothianburn but to review patronage at the existing site at Straiton with a view to increasing its usage.</p> <p>The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.</p>	On track
						Assessment of new P&R at Lothianburn and proposed review of existing site at Straiton	Assessment complete	May 2018		
						Satisfaction with residents parking	new survey to be complete every 2 years	Increasing trend		

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status								
A Resilient City	Communities are safe, strong and able to cope with change Our built and natural environment is protected and enhanced Edinburgh is a low carbon, connected city with transport and infrastructure that is fit for the future Edinburgh is clean, attractive and well looked after	C27	Tackle pavement parking and reduce street clutter to improve accessibility.	Development of a new monitoring tool for street/place cleanliness	Continue to support new legislation required to prohibit double parking and parking on footways	n/a	Introduction of footway parking enforcement as set out in proposed Transport legislation	The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.	On track							
								On the 17 May 2018 the Transport and Environment Committee approved the proposed strategy and measures required to be put in place to deliver a citywide ban on all forms of temporary on-street advertising structures, not just 'A' Boards . The aim of the strategy is to prioritise safe movement and improve the quality of Edinburgh Streets. Keep Scotland Beautiful will be carrying a pilot of a new street cleansing monitoring tool in the City Centre in June 2018 with a view to implement this citywide thereafter. This will include the use and placement of the 'A' Boards.								
								C34		Prioritise services for vulnerable children and families and looked after children, and support organisations working to end domestic abuse.	Actions contained within the Corporate Parenting Action Plan Actions agreed by the Collaborative Partnership of domestic abuse service providers in Edinburgh	Rate of Looked After Children per 1,000 population	March 2018 rate = 15.5 LAC number = 1,334	Decrease to 15.3 by 2020	New contracts now in operation from November 2017 with domestic abuse service providers in Edinburgh through the Collaborative Partnership. The commitment measures and actions have been agreed by the Education, Children and Families Committee on 22 May 2018. The Corporate Parenting Action Plan has been refreshed and will be presented to Full Council on 28 June 2018.	On track
												Percentage of LAC pupils with low school attendance	30% for Mar 18	Decrease by 10% by session 20/21		
		Funding invested by CEC in domestic abuse services	Available post Nov 2018	Available after November 2018 – end of first year of new contracts												
		No of women and children supported in a year	Available post Nov 2018													
		% of women and children who report feeling safer	Available post Nov 2018													
		C43	Continue to upgrade our existing parks and plant an additional 1,000 trees in communities. Protect major recreational areas such as the Meadows, Leith Links and Princes Street Gardens.	Actions contained within the Park improvement and maintenance programme	Green flag status	30 for 17/18	17/18 – 30	The Edinburgh Parks Events Manifesto , provides a strategic and proactive approach to the planning and managing of events within Edinburgh's parks and greenspaces. The Open Space Strategy 2021 establishes principles guiding the continued protection management and expansion of our green network. Maintenance and improvement programmes have resulted in the percentage of parks meeting the minimum standard increasing from 94% in 2015 to 97% in 2017. A new standard is being developed to be used from this year. Over the past 5 years, 3500 new trees along the North Edinburgh paths have been planted by the Edinburgh and Lothian Green Space Trust. Edinburgh has the highest number of green flags than any other Local Authority in Scotland. The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.	On track							
					New Parks Quality Assessment standard	97% - 2017	New standard to be introduced in Summer 2018									
					Number of additional 1,000 trees planted	Baseline to be established	1,000 by 2022									
					Number of events held in major parks	Baseline to be established	Hold number of events to maximum permitted (36 across 9 Parks)									
		C51	Improve community safety by protecting local policing and empowering communities to tackle long term safety issues and hate crime in all its forms including supporting restorative justice initiatives and other projects.	Actions contained within Partnership Agreement between Police Scotland and Council	Levels of hate crime	A performance framework will be developed as part of a Community Justice Early Intervention and Prevention Strategy which will include hate crime.	Police data Increase reporting, decrease incidents	The commitment measures and actions have been agreed by the Culture and Communities Committee on 19 June 2018.	On track							
Number of antisocial behaviour complaints per 10k population	41.39 for 16/17				Decreasing trend	Community Justice is working to empower communities by embedding restorative justice practice and preventative community based problem solving approaches in the work of local criminal justice social work teams, particularly with regard to hate crime. Two permanent posts have been created to take this work forward.										
Percentage of people who feel safe in their neighbourhood after dark (EPS)	84% for 2017				Increasing trend	A Community Justice Early Intervention and Prevention Strategy will be developed, including a performance framework. The Partnership Agreement with Police Scotland 2018/19 is in the process of being approved; it reflects the importance of a shared approach to delivering positive outcomes for communities.										
Percentage of criminal justice orders successfully completed	72.8% for Mar18				65% for 17/18											
Reoffending rates	28.3% for 14/15				Scotland's average for 14/15 is 28.2%, Aim to be below the national level											

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status	
A Forward Looking Council	We deliver value for money services through optimising our use of resources and building on the capabilities of our talented workforce We provide services that are focused on prevention and early intervention We plan our services to ensure we can continue to meet the needs of citizens and communities into the future Our organisation is flexible and adaptable and embraces change	C11	Ensure that Council policies on planning, licensing and sale of Council land give substantial weight to the needs of residents while still encouraging business and tourism.	Review relevant planning policies and guidance as part of the Local Development Plan project	Consultation and community engagement measures to be established	To be developed as part of Local Development Plan project	Aug 2018	The commitment measures and actions have been agreed by the Planning Committee on 30 May 2018.	On track
			Establish Strategy Group to oversee the new Edinburgh2020 Tourism Strategy	Implementations Groups established to oversee the strategy	To be developed as part of Local Development Plan project	Targets to be set end of 18/19	The Edinburgh Tourism Action Group, of which the Council is a member, developed the Edinburgh 2020 Tourism Strategy to increase the value of tourism and enhance the city's image and reputation. Project to develop new Local Development Plan is now underway.		
		C12	Review the Council's policy on promoting mixed communities. The review should be completed by summer of 2018 and should include homes of multiple occupancy, short term temporary lets and student housing.	Establish short term multi-agency working group with cross party representation	Concentration, location and occupation rates of short term lets	Baseline to be established	Summer 2018	The commitment measures and actions have been agreed by the Planning Committee on 30 May 2018.	On track
				Review locations and numbers of HMO premises	Numbers of student housing developments	Baseline to be established	Targets to be set end of 2018	A short term let working group has been established chaired by the Convenor of Housing and Economy. This group has met twice to formulate proposals on a local solution to concerns that are familiar to most members of the Council. Project to develop new Local Development Plan is now underway.	
				Review relevant planning policies and guidance as part of the Local Development Plan project	Consultation and community engagement measures to be established	To be developed as part of LDP project	Aug 2018		
		C13	Improve planning enforcement to ensure that all developers, large or small, conform to Edinburgh's policies and developer's commitments.	Develop a model legal agreement to help reduce timescales for issuing decisions	Timescales for issuing decisions	To be developed	Targets to be set end of 18/19	Planning Committee approved the revised Planning Enforcement Charter in December 2017. The Charter sets out how the Council will deliver the statutory planning enforcement service in the City. The report also addressed the issues affecting the ability to meet enforcement service standards. To support this, a review of resources will be carried out in 2018/19 to align enforcement strategy with this commitment. Between 2015/16 and 2016/17 the number of cases recorded for potential enforcement action increased from 584 to 695. The number leading to formal action increased from 39 cases to 55 cases.	Commencing end of 2018/19
				Undertake process review of developer contributions	Monitor contributions collected and spent	To be developed	Targets to be set end of 18/19		
				Increase resources to undertake planning enforcement	Timescales for resolving enforcement cases	To be developed	Targets to be set end of 18/19		
		C14	Work with the Scottish Government to review planning policy and overhaul the planning appeal system to make it shorter, more independent and give communities the right to appeal.	Consultation submission for Planning Bill to Scottish Government	Continued engagement with the Scottish Government on their proposed Planning Bill	n/a	Ongoing engagement with Scottish Government during 2018	The commitment measures and actions have been agreed by the Planning Committee on 30 May 2018.	On track
				Monitoring of appeal aspect in Planning Bill process	Work with Scottish Government on Planning Bill proposals	The Scottish Government's review of the Planning system is underway. The Council has responded to the consultation papers issued and continues to have dialogue with the Scottish Government regarding the proposed changes.			
C21	Retain Lothian Buses and Edinburgh Tram in public ownership.	Governance arrangement ensure public ownership for Transport for Edinburgh	Ownership retained	Ownership retained	Ongoing commitment	The commitment measures and actions have been agreed by the Transport and Environment Committee on 17 May 2018.	On track		
C40	Work with the Integration Joint Board (NHS & Council Social Care) and other agencies to prioritise early intervention and prevention in mental health services.	Completion of Logic Modelling by the end of March 2018	Reporting template measures to be developed	Awaiting baseline performance information	Targets to be set end of 2018	The Implementation Monitoring and Evaluation (IME) Group completed their logic modelling work and reporting templates for each of the Edinburgh Wellbeing Partnerships. These have been developed and the first submissions are due to be returned in July 2018. This will be taken forward by the new Monitoring and Evaluation Group.	On track		
Outline Strategic Commissioning Plans (OSCP) for all client groups were agreed at the IJB meetings on 26 January 2018 and 2 March 2018 . These outline plans are the means of communicating progress to date and action plans until the presentation of the Strategic Commissioning Plans to the December meeting of the IJB.									

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status	
A Forward Looking Council	We deliver value for money services through optimising our use of resources and building on the capabilities of our talented workforce	C48	To make a robust and evidenced case to Scottish Government and partners Detailed proposal if agreement	Conduct an initial assessment of feasibility of introduction of a workplace parking levy	n/a	Summer 2018	The commitment measures and actions have been agreed by the Corporate Policy and Strategy Committee on 15 May 2018. A report on the Edinburgh Transient Visitor Levy (TVL) was presented to Council on 31 May. The report outlined some of the findings from a comprehensive desk based research and noted further activities related to the Edinburgh TVL.	On track	
	Deliver Transient Visitor Levy			Deliver once agreed	By 2022				
	We provide services that are focused on prevention and early intervention			Continue to make a case to the Scottish Government for the introduction of a Transient Visitor Levy and explore the possibility of introducing more flexibility in the application of business rates. Explore the possibility of introducing a workplace parking levy.					
	We plan our services to ensure we can continue to meet the needs of citizens and communities into the future								
	Our organisation is flexible and adaptable and embraces change								

Business Plan Aim	Business Plan Outcome	Commitment	Actions	Measures	Current Metrics	Target	Progress to date	Progress Status	
An Empowering Council	<p>A leading Council in community engagement and empowerment, giving citizens confidence to make decisions and act on issues</p> <p>We place our customers at the heart of all that we do, we are responsive, accessible and fair to all</p> <p>We work with our partners and communities to deliver services locally</p> <p>We are an open, honest, inclusive and transparent organisation</p>	C5	Sign Edinburgh to the Pay Fair Tax Initiative.	Identify business requirements for signing up to the initiative	Strategy and engagement in place by the end of 2018	Strategy to be established	End of 2018	The commitment measures and actions have been agreed by the Housing and Economy Committee on 7 June 2018.	Off track
		C47	Become a leading Council in Scotland for community engagement - 1% of the Council's discretionary budget will be allocated through participatory budgeting.	<p>Agree definition of discretionary budget</p> <p>Allocate annual participatory budget</p> <p>Participatory budgeting set within budget process</p>	% of annual discretionary budget allocated through participatory budgeting	0.03% in 2017/18	1%	The Council has agreed the definition of the discretionary budget and allocated the target £7.2m of its expenditure by means of participatory budgeting annually by 2020/21. Initial scoping work to identify potential opportunities is underway and regular updates will be provided to members as these plans take shape. Additionally, and as part of the ongoing development process, 38 PB Champions have been trained, comprising Council, Police Scotland, third sector staff and community members. This was funded from a grant from the Scottish Government's Community Choices Fund.	On track
		C49	Limit Council Tax increases to 3% a year to 2021.	Council Tax is set annually. The annual City of Edinburgh Council Budget meeting is the milestone for confirming the Council Tax for the following financial year. This meeting is usually in February	% Council Tax increase approved by Council	3% in 2017/18	up to 3% a year to 2021	<p>The measures and actions have been agreed by the Finance and Resources Committee on 12 June 2018.</p> <p>The approved budget for 2018/19 included a 3% increase in Council Tax to maximise the level of investment available to support delivery of the Council's priority outcomes. At this stage, the budget framework assumes further annual increases of 3% for the period from 2019/20 to 2022/23 inclusive. The on-going appropriateness of this assumption will be considered as part of the cycle of regular review of the main income and expenditure assumptions contained within the Council's medium-term financial plan.</p>	On track
		C50	Continue a policy of no compulsory redundancies and keep a presumption in favour of in-house service provision.	Continue the provision of voluntary severance arrangements and redeployment support to mitigate the need for compulsory redundancies. Directorates to keep a presumption in favour of in-house service provision	Policy continued and presumption in favour of in-house service provision kept	None during 2017/18	Ongoing commitment	<p>The measures and actions have been agreed by the Finance and Resources Committee on 12 June 2018.</p> <p>The Council pledge of no compulsory redundancy remains in place with the current administration.</p>	On track
		C52	Devolve local decisions to four Locality Committees. Establish the membership of each Committee and how devolved decision making will work to encourage the maximum participation for local groups. Explore the effectiveness of community councils and how they can be enhanced to represent their local communities.	Decision making to encourage the maximum participation for local groups	<p>Established and first meeting held</p> <p>Monitor frequency of Locality Committees</p>	<p>First meetings held in February 2018</p> <p>Monitoring in place</p>	<p>By March 2018</p> <p>Meetings to take place every 8 weeks (5 per year)</p>	<p>The measures and actions have been agreed by the Culture and Communities Committee on 19 June 2018.</p> <p>All 4 Locality Committees are now in operation. The first meetings noted the membership, remit and terms of reference of these Committees.</p> <p>North West Locality Committee 9 February 2018 North East Locality Committee 19 February 2018 South West Locality Committee 19 February 2018 South East Locality Committee 21 February 2018</p>	On track

The City of Edinburgh Council

10.00am, Thursday, 28 June 2018

Sustainability

Item number	8.4
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	

Executive Summary

This report summarises how the council intends to make progress on sustainability and climate change across the work of the organisation. The council currently has a breadth of activity progressing across a number of directorates. However, our approach could potentially benefit from more strategic coordination and focus that reflects the wider council ambitions of the Edinburgh 2050 Vision, and better prepares the council to deliver on the council business plan and associated legislative commitments and council strategies. This includes by working better with the strong and vibrant wider environmental sector present in the city.

Elected members are asked to note that officers will work with the Edinburgh Centre for Carbon Innovation - as part of the wider collaboration the council has with the University of Edinburgh - to provide an expert independent audit of council activity alongside recommendations as to how the council might continue to improve the cumulative impact it has on sustainability and climate change.

Recommendations from the audit would be shared with Corporate Policy & Strategy Committee (CP&S) and, subject to political agreement, taken forward by the council. Dependent upon the results of the audit, these findings would also form the basis for developing a new Edinburgh Council Sustainability Strategy which is due by 2020.

Sustainability

1. Recommendations

- 1.1 It is recommended that the Council notes:
- 1.1.1 the intention to work with our external partners who are experts in climate change and sustainability to provide an independent audit of council activity and recommendations as to how the council might continue to improve the cumulative impact it has on sustainability, and
 - 1.1.2 that the outcome of this audit and its recommendations would be taken to CP&S by December.

2. Background

- 2.1 A council question from 3 May sought confirmation as to how sustainability was being led across the council. The response indicated that conversations were already ongoing between Strategy and Insight, Place and Resources Divisions as to how the council activity on sustainability could be better coordinated and have greater impact. Officers were asked to return to full council with the outcome of those discussions within two cycles.

3. Main report

- 3.1 Currently the council progresses a number of activities relating to sustainability. The paragraphs below give a high level summary of that activity.

Environmental, economic and social sustainability

- 3.2 The council works with and supports the Edinburgh Sustainable Development Partnership and has adopted the Sustainable Edinburgh 2020 Framework. This framework is due for review and will need to take account of any wider ambition within the Edinburgh 2050 Vision around carbon and sustainability. The council is also a key player in supporting the city to maintain its fair trade status, promoting the three strands of sustainable development (social, economic and environmental). Implementation of the council's Economic Strategy further prioritises supporting Edinburgh's transition to a low carbon economy.
- 3.3 The council has a statutory duty to protect the city's habitats and biodiversity and does this through the Edinburgh Biodiversity Action Plan which outlines a partnership approach to biodiversity conservation across the city. More than 30

members of the Edinburgh Biodiversity Partnership contribute to delivery of the Plan, including the Council.

Climate Change

- 3.4 The City of Edinburgh Council has a legislative duty under the terms of the Climate Change (Scotland) Act 2009 to submit an annual report on what it is doing to meet its statutory Public Bodies Climate Change Duties. As listed below, many council divisions are working on reducing the council's carbon emissions, and the Council's Carbon Management Plan is the route map for further reductions. The council is also committed to looking at Carbon Budgeting.
- 3.5 Citywide the council is responsible for delivery of a Sustainable Energy Action Plan for Edinburgh. The council fulfils its climate change adaptation duties under the Act through being a lead partner in Edinburgh Adapts, ensuring delivery of the city's first Climate Change Adaptation Action Plan 2016-2020. Strategy and Insight, Planning, Flood Prevention and Parks work on adapting the city to the impacts of climate change. The council has also set up its own Energy Services Company with a key remit to deliver strategic energy projects through the Sustainable Energy Action Plan, reducing carbon emissions and supporting climate change objectives.

Sustainable Food

- 3.6 The council is leading and co-ordinating the development of an Edinburgh Food Growing Strategy, a requirement of the Community Empowerment Act, through the vehicle of the Edible Edinburgh Partnership. Related actions also provide evidence that the council is acting sustainably under the Climate Change (Scotland) Act. Edible Edinburgh helps to fulfil Council Commitments on healthy eating, child poverty (food security and nutrition) and food growing initiatives.
- 3.7 The council and the Edible Edinburgh Partnership most recently secured additional resources under the Sustainable Food Cities Network to employ a Sustainable Food Cities Coordinator for one year to support this work. The Edinburgh Food for Life partnership works to improve the sustainability of food procurement and catering in the Council and NHS Lothian.

Transport

- 3.8 The council is continuing work to develop and implement Low Emission Zones (LEZ) in Edinburgh. Existing programmes of work to monitor and manage local air quality have led to improvements in air quality in Edinburgh. In May 2018, Transport and Environment Committee agreed that Edinburgh takes a comprehensive approach to LEZs as a step towards protecting Edinburgh's citizens from the harms of poor air quality. Air quality continues to be monitored across the city. The council has declared a number of Air Quality Management Areas (AQMA's) where levels of NOx and particulates are closely monitored and works to make improvements for example through the Open Space Strategy. Work continues to address this issue which will be closely aligned with the work on low emission zones.

- 3.9 The current phase of LEZ work underway includes developing options and engaging with key stakeholder to inform the impact of implementing LEZs in Edinburgh. A further report on progress to develop LEZs will be presented to Transport and Environment Committee in August, in advance of a public engagement process scheduled to commence in September 2018. LEZ development is being undertaken in conjunction with the Edinburgh City Centre Transformation project and the review of the City Transport Strategy, to ensure relevant transport and placemaking initiatives are aligned.
- 3.10 The council is also progressing ongoing projects such as the City Centre West to East Cycle Link, West Edinburgh Active Travel Network and Meadows to George Street route, as well as supporting the introduction of a bike hire scheme by Transport for Edinburgh which is due to come in later this summer.

Housing

- 3.11 The council and partners are delivering 20,000 new affordable and low cost homes across Edinburgh over the next ten years. All 20,000 homes will be constructed to a high energy efficiency rating and to a Silver Building Standard. Innovative solutions to go beyond current standards are being explored by the council and partners, including projects exploring passive house standards and indoor air quality and ventilation pilots.
- 3.12 Investment in council homes has been accelerated to ensure they meet the Scottish Government's energy efficiency targets by 2020. Where technically and financially feasible, the council will look to go beyond current targets and future proof investment so that existing homes are as energy efficient as new homes. Funding to help private homeowners improve the energy efficiency of their homes has also been secured. Behavioural change is being promoted through the introduction of a new tenant Energy Advice Service and other energy support services for all residents.
- 3.13 The council helped set up, and is a member of, Our Power, a national not for profit energy provider, for the purpose of providing affordable and stable energy to households on low incomes particularly council and housing association tenants. Supported by the Scottish Government, Our Power, is based in Craigmillar and has developed a number of strategic partnerships with local authorities across Scotland and the UK. Our Power is a community interest company established by housing associations and a number of local authorities including Edinburgh.

Planning

- 3.14 The current Local Development Plan's spatial strategy and its detailed policies promote sustainable development: from design principles, conservation of the built and natural environment, directing shopping and other leisure activities to sustainable locations and promoting sustainable travel modes through site layouts. These ensure that sustainability is considered in the determination of planning applications.

- 3.15 The Edinburgh Design Guidance sets out the council's expectations for the design of new development in Edinburgh, supporting the creation of a compact, sustainable city. All planning applications (apart from domestic alterations and extensions and changes of use for local developments) are required to set out how they are achieving carbon reduction through low and zero carbon equipment.
- 3.16 The next local development plan (LDP) project is now underway. The main project objectives are to adopt a new LDP which can be used to deliver the vision, aims and outcomes identified by the council in the Council Business Plan including that Edinburgh is a low carbon, connected city with transport and infrastructure that is fit for the future.

Property and Facilities Management

- 3.17 Property and Facilities Management are responsible for energy and sustainability across the council's operational property portfolio. This includes ensuring the council meets legislative requirements as well as contributing to the council's wider obligations under the Climate Change Act (Scotland).
- 3.18 The council's Corporate Asset Strategy and Property and Asset Management Strategy define the strategic framework for the improved sustainability of the council's estate, and the Council's Energy Policy, outlines its approach to energy management. Active energy management of the council's operational estate is a key focus across P&FM. There are several large-scale projects underway, across new constructions and existing buildings, to improve sustainability, energy efficiency and reduce associated energy spend.
- 3.19 For the past three years, Property and Facilities Management have been engaged in a Knowledge Transfer Partnership with Edinburgh Napier University to implement a mid to long term energy strategy for operational buildings. To help build on success achieved to date, and create a sound platform from which to deliver continued energy improvements, Property and Facilities Management are working towards ISO50001 accreditation; an Energy Management System focussed on delivering best practice.

Waste and Recycling

- 3.20 The Council's Waste and Recycling Strategy was published in 2010, and runs to 2025. It is currently being reviewed to reflect on progress since 2010, as well as to encompass the Council's Cleansing function which was previously devolved under Neighbourhood Management. The strategy review covers waste prevention and reuse, recycling, and diversion of residual waste from landfill.
- 3.21 In addition, while the council does not operate a commercial waste collection service for businesses, the Waste and Cleansing Service's Compliance Team ensures that businesses are disposing of their waste in an appropriate manner by promoting the segregation of waste, ensuring that legitimate collection contracts are in place and that bins are only presented during the appropriate times.

3.22 Management of the waste arising from the council's estate is the responsibility of Business and Building Managers across the estate, with support from the FM teams which service buildings. The Waste and Cleansing service provides a recycling and waste collection service to Business and Building Managers across the estate. Waste and Cleansing has a policy on Waste from Council Premises approved by Transport and Environment Committee in May 2018.

Fleet management

3.23 Fleet Services are pro-actively working to manage the council fleet and use the technologies available to improve vehicle utilisation. Departments that operate larger fleet actively manage route planning to reduce mileages, costs and emissions. The council is aiming to purchase the lowest emission vehicles appropriate to their role, without increasing the cost of ownership to the council. This includes exploring the possibility of moving the lighter fleet over to electric.

Procurement

3.24 The council has had a comprehensive Sustainable Procurement Policy in place since 2012. The sustainable procurement policy and objectives are addressed within every procurement plan, which is at the start of each procurement process. Thus, the policies build awareness and are discussed with stakeholders. There is also a mandatory sustainability risk assessment of procurement projects as part of the individual procurement plan is a practical tool to ensure compliance with climate change duties.

3.25 The Sustainable Procurement Policy also informs the council's terms and conditions of contract. The Council's Commercial and Procurement team also use sustainability as selection and award criteria and seek to constantly evaluate processes that minimise the impact of the procurement for example in construction off-site fabrication, use of electric vehicles and use of local suppliers to reduce transport emissions are encouraged and scored accordingly.

3.26 Commercial and Procurement Services (CPS) work closely with Joined up for Business to manage delivery of community benefits. CPS is also further developing the community benefit questions to support service areas managing contracts deliver more meaningful benefits to our citizens.

Localities

3.27 Within localities, the council uses its own workforce and locally-based businesses and services, which support the local economy and reduce regional travel to maintain and develop local roads infrastructure and place-making projects. We also use external framework contracts to package up road maintenance works and environmental projects.

3.28 Locality Improvement Plans focus on outcomes agreed with the local community around various themes, and include actions that aim to improve transport and active travel infrastructure; improve local recycling facilities, cleaner streets and

reducing waste; and address environmental issues. Locality parks services use recycled bark and mulch, diverting green waste from landfill and use reclaimed materials in parks development projects.

Strategic Environmental Assessments

- 3.29 The council completes SEAs with advice and guidance for council plans and strategies with major environmental impacts.

Next Steps

- 3.30 The above paragraphs are not exhaustive but give a sense of the scale and breadth of activity already progressing on sustainability and climate change across the council. However, it was felt that independent analysis of this activity from one of our expert partners could help the council to identify ways to continue to improve its impact on sustainability and climate change. It was also felt that Edinburgh has a vibrant environmental sector – particularly in respect of the third sector - and this analysis could also consider how the council better delivers its objectives by working with our environmental partners across the city.
- 3.31 As such, it is envisaged that we seek an independent high-level audit of the varied activity across the council with recommendations as to how the council could deliver further improvement. This critical independent challenge is essential in supporting the council to improve and if necessary, change its approach to continue to improve on sustainability outcomes. This work would also fulfil the outstanding audit action which was set out in the plan to resource SEAP.
- 3.32 Recommendations from the audit would be shared with CP&S and, subject to political agreement, taken forward by the council. Dependent upon the results of the audit, these findings would also form the basis for developing a new Edinburgh Council Sustainability Strategy which is due by 2020.
- 3.33 As part of progressing this approach, officers have had constructive early discussions with the Edinburgh Centre of Carbon Innovation which is part of the University of Edinburgh who are a key strategic partner of the council. Amongst other things, ECCI hosts the Centre of Expertise on Climate Change - which supports Scottish Government with their climate change analysis and evidence; hosts the Scottish Sustainability Network, which supports public bodies across Scotland to report their climate actions; co-hosts staff working on Adaptation Scotland activities. The ECCI also has the largest low carbon business innovation incubator in Scotland.
- 3.34 Council officers are working with the ECCI as part of that wider collaboration with the University of Edinburgh to agree a suitable way to take forward this piece of work. The specific scope of this work would be agreed in partnership. In the meantime, the council activity detailed above will continue. These are predominantly led by Strategy and Insight and Place and as such, monthly meetings between the relevant senior officers will ensure better coordination and collaboration on this work in the short term while we await the outcome of the audit.

4. Measures of success

- 4.1 An independent audit of the council approach to sustainability will be delivered with recommendations to CP&S as to how the council might improve and deliver a new more ambitious approach to sustainability into the future.

5. Financial impact

- 5.1 No additional costs to the council are associated with this report as the independent audit will be delivered as part of our partnership with key sustainability experts in the city and in recognition of the significant contribution that the council can make to improving sustainability outcomes.

6. Risk, policy, compliance and governance impact

- 6.1 No adverse risks or policy impacts have been identified as associated with this report. Outputs from the programme of work outlined in this report will be used to identify and mitigate potential risks to the council.

7. Equalities impact

- 7.1 Equalities impacts arising from this work will be considered as part of an Integrated Impact Assessment.

8. Sustainability impact

- 8.1 The future committee reports will detail sustainability impacts but they are expected to be positive.

9. Consultation and engagement

- 9.1 The independent expert would be responsible for determining any consultation and engagement but given the high level nature of the activity, this is likely to be minimal.

Andrew Kerr

Chief Executive

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10. Appendices

None

The City of Edinburgh Council

10.00am, Thursday 28 June 2018

Edinburgh Poverty Commission

Item number	8.5
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	45

Executive Summary

This paper proposes the key stages to establish an Edinburgh Poverty Commission to define the long-term actions and responses needed to reduce poverty and inequality in Edinburgh.

The paper gives an overview of the case for a commission in Edinburgh, a summary of the aims and structure of a commission, and a proposed timescale built around a first meeting of a commission during Autumn 2018, with a final report and forward action plan delivered by Autumn 2019.

The paper sets out a new and agile approach to delivery of the commission, focused on ensuring the project is directly informed by citizens with experience of living on low incomes in Edinburgh, and on ensuring the project delivers early practical actions for testing and implementation.

Edinburgh Poverty Commission

1. Recommendations

It is recommended that City of Edinburgh Council:

- 1.1 Approve the establishment of an Edinburgh Poverty Commission;
- 1.2 Agree that recommendations proposed by the commission will be used to inform the Council Change Strategy, and future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh;
- 1.3 Agree the principles for identifying an area to support the agile, action research element of the project;
- 1.4 Agree the proposals for commission membership and in particular that a chair will be sought from Edinburgh's business community; and
- 1.5 Note that progress is dependent upon identifying sufficient resources, including support from partner agencies, to support this commission approach.

2. Background

- 2.1 Edinburgh is well recognised as an affluent and a growing city, but is also a city with wide levels of inequality and home to some of the most deprived communities in Scotland. An estimated 22% of Edinburgh children grow up in poverty, with these rates as high as 35% in some areas of the city. Despite high average incomes, a wide base of evidence shows Edinburgh to be a city with poverty rates similar to the Scottish average, and with pockets of poverty and material deprivation as severe as any other area in Scotland.
- 2.2 The case for public sector response to these issues is clear and can be articulated on Strategic, Social and Economic grounds.

The strategic case

- 2.3 The Scottish Government's Programme for Scotland, and the range of policies and strategies which follow from it, provide a clear direction to improve the co-ordination and impact of public sector interventions to reduce the scale and impact of poverty in Scotland. These include specific requirements for local government arising through the Fairer Scotland Action Plan, the Socio Economic Duty for public bodies, and the Child Poverty Act and associated delivery plan.
- 2.4 Within Edinburgh, the Council Administration and Edinburgh Partnership set out a clear direction for action to reduce poverty, inequality, and their impacts on

communities in Edinburgh. The Programme for the Capital in particular includes specific Council commitments to tackle child poverty, to address food poverty and food security, to promote the living wage and fair rents, and to improve access to affordable housing, amongst other actions.

- 2.5 The Council Change Strategy, currently in development, sets out a new approach to meeting the challenge of improving Council performance and delivering a sustainable budget. Within this context, action to address poverty in the city is identified as key to the strategy's themes of prevention, inclusive growth, and high-quality services.

The social case

- 2.6 The 2050 Edinburgh City Vision project facilitated a conversation with citizens, communities, and organisations across Edinburgh to help describe the type of city we aspire to be by 2050. A strong emerging theme was the ambition for Edinburgh to be a fairer city. In 2050, Edinburgh citizens aspire to live in a city without barriers to achievement, where poverty is reduced and a good quality of life is a basic requirement enjoyed by all.

The economic case

- 2.7 Reports published by the Joseph Rowntree Foundation estimate the total cost to the public sector of addressing the impacts of poverty – including cost of addressing poor health, poor education outcomes, lost economic output, criminal justice outcomes – at some £69bn per annum across the UK as a whole. On a simple pro rata basis, this puts the cost to the public sector of addressing the impacts of poverty in Edinburgh at some £408m each year.

Current plans and activities

- 2.8 In response to this context, strategies and plans in all council services incorporate action to reduce living costs, increase incomes, and address the effects of poverty and inequality – examples include the City Housing Strategy, Edinburgh Economy Strategy, the Integrated Children's Services Plan, the Child Equity Framework, the Health and Social Care Partnership Strategic Plan and others.
- 2.9 Despite this activity, analysis of the strategic interventions currently in place suggests that more work is needed to:
- 2.9.1 Fully meet the requirements of new legislation and respond to the challenge set by the Fairer Scotland Action Plan and embed fairness, respect, and dignity as meaningful core principles in policy design and implementation;
 - 2.9.2 Engage and respond to those with lived experience of poverty and inequality in the city and ensure that policy responses are designed to respond to their needs;
 - 2.9.3 Improve integration of service delivery, and deliver new ways of working to address pockets of deep seated, multigenerational deprivation, poverty, and inequalities in Edinburgh;

- 2.9.4 Co-ordinate policy to deliver an appropriate and integrated response to reducing poverty and inequality, incorporating all areas of public policy in the city including economy, education, health, housing, transport, community safety and other service areas; and
- 2.9.5 Deliver a programme with a genuine long-term perspective, with a strong and meaningful emphasis on poverty prevention as well as mitigation.

3. Main report

- 3.1 One approach taken by many local authorities across the UK to address these challenges has been to establish Poverty or Fairness Commissions. Often independently chaired or facilitated, these commissions gather evidence from local people on the experience of living in poverty in their area, analyse actions and opportunities to improve the impact of policy interventions, and make recommendations based on the available opportunity and evidence. Recommendations, and the strategies and action plans which follow from them, are designed to be delivered in partnership, and focused on making a difference for people living in poverty at a local level.
- 3.2 A New Economics Foundation report reviewing 23 Commissions across the UK concluded that the approach had “succeeded in generating fresh initiatives and a renewed commitment to action among local authorities and their partners”, and had “built fresh insights and developed initiatives that can lead to real change”.
- 3.3 An early example of this approach was the Commission on Social Exclusion launched in Edinburgh twenty years ago in late 1998. This commission published a number of recommendations to tackle inequality and exclusion in the city and resulted in, amongst other initiatives, the establishment of the One City Trust.

An Edinburgh Poverty Commission

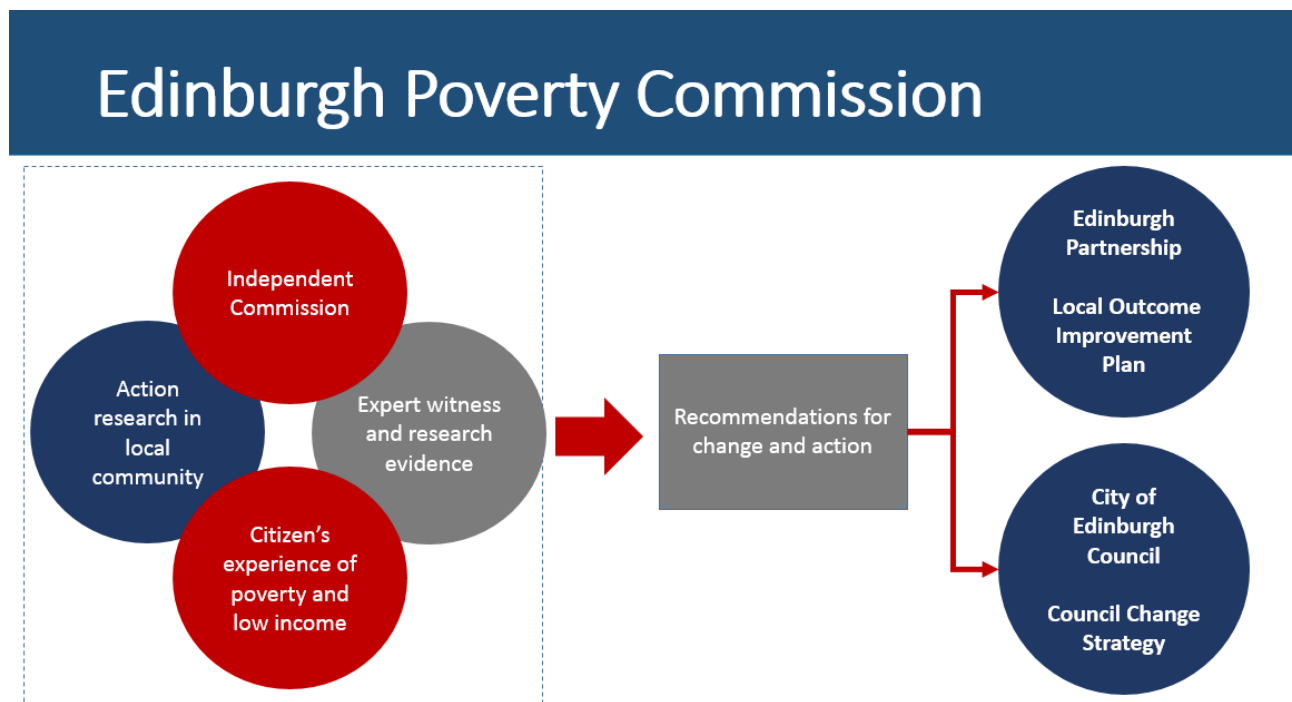
- 3.4 To address the issues raised above, it is proposed that an Edinburgh Poverty Commission is established, with aims, structure, membership and work programme as described below.
- 3.5 The Edinburgh Poverty Commission should aim to:
 - 3.5.1 Take a strategic overview of the scale, scope, and nature of poverty in Edinburgh and the effectiveness of activity currently undertaken to address such poverty;
 - 3.5.2 Build on the learning achieved by other poverty and fairness commissions across the UK to find best practice examples of interventions and approaches to be adopted in Edinburgh;
 - 3.5.3 Hear and respond directly to the experiences of citizens who live on low incomes in Edinburgh;
 - 3.5.4 Make recommendations to the Edinburgh Partnership and City of Edinburgh Council on a programme of actions and activities needed to: reduce levels of poverty in Edinburgh; reduce inequalities in experience of poverty between

citizens and areas of the city; prevent Edinburgh citizen's from falling into poverty; mitigate the damaging effects of poverty on people's lives in Edinburgh;

3.5.5 Make recommendations on the partnership structures and bodies needed to monitor and implement this programme of work over the long term; and

3.5.6 Provide evidence of high profile political and partnership commitment to the challenge of tackling poverty in Edinburgh.

3.6 In doing so, the commission should aim to provide recommendations and action plans which can be incorporated into current planning for key decisions such as the Council Change Strategy, the Council Budget, the development of a new Edinburgh Partnership local outcome improvement plan, and the development and implementation of the 2050 Edinburgh City Vision.



Action orientated – an agile process

3.7 The work of the commission will be designed to learn from and to direct a programme of action research carried out within a selected community or area of the city. This programme will seek to address specific issues identified by the commission and invite local citizens living in poverty in the city to work with locality service providers in the co-design and piloting of potential coordinated place based solutions.

3.8 An appropriate community or area of the city for focus during this action research process will be selected based on a number of criteria and agreed by the commission during its first meeting. This selection process will seek to ensure that the action research activity is focused on an area which:

3.8.1 Shows evidence of need and high concentration of individuals in poverty;

- 3.8.2 Provides an opportunity to build on and add value to partnership activity to address poverty already underway (including building on small area priority actions outlined in Locality Improvement Plans); and
- 3.8.3 Provides an opportunity to build on and add value to existing community capacity working in the area.
- 3.9 The results of this research will be reported back to the commission for recommendations on next steps and on further issues for research and testing. At the end of the Commission, this learning will be used to drive more strategic city-wide recommendations.
- 3.10 This process will ensure that the commission and its findings are directly informed by the views of citizens with lived experience of poverty in the city and that the actions and recommendations made by the commission are implemented quickly and with the co-operation of the communities on which they aim to have an impact.

Structure and membership

- 3.11 In line with best practice from commissions established in other areas, it is proposed that the Edinburgh Poverty Commission be formed of 11 commission members, supported by evidence provided by a wide range of expert witnesses (local, national, and international), and facilitated by secretariat and research support provided by City of Edinburgh Council and partners.
- 3.12 It is proposed that the Commission is chaired by an independent commission member from the business community. Commission members will be selected through a process of nomination and appointment with final decision on commission membership to be made by the chair. Appointment of commission members will be undertaken to ensure the mix of members provides:
 - 3.12.1 Strong expertise from policy, practice, research, and direct lived experience of poverty;
 - 3.12.2 Nationally recognised experience and expertise in designing new approaches to tackling poverty in UK cities, but with at least 1/3 local representation;
 - 3.12.3 Experience of participating and/or facilitating poverty or fairness commissions in other UK areas;
 - 3.12.4 An appropriate representation of commission members across age, gender, and ethnic backgrounds; and
 - 3.12.5 A wide and strong collection of commissioners bringing experience from a range of sectors and backgrounds, including business, the third sector, public sector agencies, local and national government, and specifically in respect of children, housing, inclusive growth, advice and welfare.
- 3.13 All members will be appointed subject to their ability and agreement to commit time to actively participate in Poverty commission sessions discussions, and lead or participate on specific workstreams identified by the commission process.

Supporting and resourcing the Commission

- 3.14 The work of the commission will be supported by research, data and policy analysis provided by City of Edinburgh Council and partner agencies. This support will be co-ordinated by the Council's Strategy and Insight Division, drawing on a working group of officers representing key service areas across the Council and partner agencies.
- 3.15 In addition to this support, evidence to be considered by the commission will be provided by expert witnesses invited to participate in the commission process. The range and purpose of expert witness sessions will be agreed with the commission on inception, but will include evidence from: key national research groups; academic institutes; think tanks such as Joseph Rowntree Foundation, Poverty Alliance Scotland, Child Poverty Action Group will be approached alongside local community groups and individuals with experience of poverty.

Process and timescale

- 3.16 The work of the commission is being designed to launch during Autumn 2018, with a final report with recommended actions to be published and agreed in Autumn 2019.
- 3.17 This work programme incorporates an induction meeting and four formal full-day meetings of the commission, with outputs at each stage designed to help inform the development of major policy decisions needed during this period, such as the development of the Edinburgh Partnership Local Outcome Improvement Plan.
- 3.18 As noted above, these four meetings will inform, and be informed by, a programme of action research carried out in low income communities in the city.

Key next steps

- 3.19 **Agree council and partnership support:** In order to be successful, this project needs explicit support from City of Edinburgh Council and Edinburgh Partnership. From a Council perspective, this needs to include agreement that the recommendations made by the commission will be used to inform future plans (including the Council Change Strategy), and an agreement to monitor and report regularly on the implementation of commission recommendations.
- 3.20 From a partnership perspective, on 7th June the Edinburgh Partnership Board agreed a recommendation to support the establishment of an Edinburgh Poverty Commission, and agreed that recommendations made by the commission would inform the future development and implementation of the new Edinburgh Partnership Local Outcome Improvement Plan.
- 3.21 **Identification and appointment of commission members and expert witnesses:** Experience from observation of other cities emphasises the importance of securing a strong, diverse group of dedicated individuals willing to actively participate in the commission process, either as full commission members or as expert witnesses and advisors to the commission. As well as diversity across gender, age, and background, securing a mix of commissioners and advisors from

within the local authority, and those with strong experience from elsewhere in the UK is important to ensure that the process delivers both external expertise, and internal knowledge and accountability.

- 3.22 **Identify and organise Council and partner resources:** The full cost of establishing and running the commission is dependent on a range of factors. Evidence from experience from other commissions, and an assessment of research costs associated with capturing citizens' experience of living in poverty in Edinburgh suggests that a core budget of around £50,000 for running a commission will be required. This covers the costs of conducting research activities, holding public events and meetings, but does not include staff time. All commissioners have been volunteers who have not been paid for their time.
- 3.23 In addition to core financial costs, in order to carry out the action research and secretariat support needed to make the commission a success, a strong virtual team of council and partner officers will be needed.
- 3.24 To secure these resources, the programme will draw on support and capacity from partner organisations and stakeholders. The Scottish Government, for instance, have already signalled their intention to provide support for the commission and its work. The project team will work to develop and draw on similar commitments as the commission work programme develops.
- 3.25 **Communication and participation:** Learning from other local authorities shows that to be a success, the commission needs to involve and draw on the views of a wide range of local individuals and community groups. Good communications, including good use of press and social media, are key to raising awareness of the commission, and its purpose. Building on this, in addition to the four scheduled meetings of the full commission, the project needs to engage with communities through a series of satellite activities. This may include inviting individual commission and project team members to visit local places or to attend meetings of local organisations and partnership forums. Towards this, a key early priority in the commission design is to develop a strong communications and participation plan for the project.

4. Measures of success

- 4.1 A key output for this programme of work will be the development of a monitoring framework including measures of success.

5. Financial impact

- 5.1 No additional costs to the Council are associated with this report.

6. Risk, policy, compliance and governance impact

- 6.1 No adverse risks or policy impacts have been identified as associated with this report. Outputs from the programme of work outlined in this report will be used to identify and mitigate potential risks to the Council.

7. Equalities impact

- 7.1 Equalities impacts arising from the commission will be considered as part of a Integrated Impact Assessment.

8. Sustainability impact

- 8.1 Sustainability impacts arising from the commission will be considered as part of a Integrated Impact Assessment.

9. Consultation and engagement

- 9.1 Development of this proposal will be a collaborative process involving elected members, public sector partners, third sector organisations, and local communities. This commitment to partnership working, consultation and engagement will continue throughout this programme of work.

10. Background reading/external references

- 10.1 [Fairness Commissions: Understanding how local authorities can have an impact on inequality and poverty, New Economics Foundation, July 2015](#)
- 10.2 [Fairness Commissions: The Role of Fairness Commissions in the Enabling State, Carnegie Trust, June 2017](#)

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11. Appendices

None

The City of Edinburgh Council

10.00am, Thursday, 28 June 2018

Edinburgh and South-East Scotland City Region Deal

Item number	8.6
Report number	
Executive/routine	
Wards	All
Council Commitments	1 , 2 , 4 , 5 , 6 , 7 , 10 , 16 , 19 , 31

Executive Summary

The Edinburgh and South-East Scotland City Region Deal represents over £1.3 billion of investment over the next 15 years. The City Region Deal will deliver inclusive economic growth, building on the region's strengths and addressing issues and economic barriers currently constraining the region's potential.

Following the signing of the Heads of Terms for the City Region Deal in July 2017, regional partners, the Scottish Government and UK Government have developed a City Region Deal document which includes:

- Context and the approach to ensuring inclusive growth
- A summary of the programmes and projects in the City Region Deal
- The City Region Deal Governance Framework

The City Region Deal Document is subject to approval by Scottish and UK Government. Once approved by partners, a signing is expected in July 2018.

A financial agreement, which recommends the City of Edinburgh Council to role as the financial accountable body to distribute funds from Government to relevant regional partners has also been produced, and, subject to approval by the City of Edinburgh Council, is expected to be signed by the City of Edinburgh Council and both Governments prior to the signing of the Deal Document.

The City Region Deal Documentation, set out in Appendices 1 and 2, is consistent with the Heads of Terms document that was signed in July 2017

Appendix 1 to this paper is the Deal Document, and Appendix 2 is the Financial Agreement. It is recommended that Council:

- Notes the content of Deal documentation, which includes the approach to inclusive growth, the summary of programmes and projects and the Governance Framework.
- Notes that the content of the Deal documentation is consistent with the Heads of Terms document that was signed in July 2017.
- Notes that once the Deal documentation is agreed by all regional partners, the Deal Document can be signed by regional partners, the Scottish Government and UK Government.
- Approves the Financial Agreement, and thereby agrees to the role of City of Edinburgh Council as the Accountable Body for the City Region Deal.
- Notes that projects that have a financial impact on the City of Edinburgh Council will be subject to approval by the relevant Council Committee.
- Notes that a capital contribution of £5 million set out in the 2018/19 five-year Capital Investment Programme, was approved by Council on 22 February 2019 to support delivery of the IMPACT project subject to the approval of a “Green Book” accredited business case by the Scottish and UK Governments.
- Notes that a capital contribution of £16 million also set out in the 2018/19 five-year Capital Investment Programme was approved to support the delivery of Public Transport improvements documented in the West Edinburgh Transport Appraisal. This is subject to the approval of a business case by Scottish Government.
- Notes that in February 2018, the City of Edinburgh Council agreed to enter into agreements with Scottish Futures Trust (SFT) to establish two Limited Liability Partnerships (LLPs) to deliver 1,500 homes for market and mid-market rent to be let to households on low to moderate incomes, under powers offered through the City Region Deal

Edinburgh and South-East Scotland City Region Deal

1. Recommendations

- 1.1 It is recommended that Council:
 - 1.1.1 Notes the content of Deal documentation, which includes the approach to inclusive growth, the summary of programmes and projects and the Governance Framework.
 - 1.1.2 Notes that the content of the Deal documentation is consistent with the Heads of Terms document that was signed in July 2017.
 - 1.1.3 Notes that once the Deal documentation is agreed by all regional partners, the Deal Document can be signed by regional partners, the Scottish Government and UK Government.
 - 1.1.4 Approves the Financial Agreement, and thereby agrees to the role of City of Edinburgh Council as the Accountable Body for the City Region Deal.
 - 1.1.5 Notes that projects that have a financial impact on the City of Edinburgh Council will be subject to approval by the relevant Council Committee.
 - 1.1.6 Notes that a capital contribution of £5 million set out in the 2018/19 five-year Capital Investment Programme, was approved by Council on 22 February 2019 to support delivery of the IMPACT project subject to the approval of a “Green Book” accredited business case by the Scottish and UK Governments.
 - 1.1.7 Notes that a capital contribution of £16 million also set out in the 2018/19 five-year Capital Investment Programme was approved to support the delivery of Public Transport improvements documented in the West Edinburgh Transport Appraisal. This is subject to the approval of a business case by Scottish Government.
 - 1.1.8 Notes that in February 2018, the City of Edinburgh Council agreed to enter into agreements with Scottish Futures Trust (SFT) to establish two Limited Liability Partnerships (LLPs) to deliver 1,500 homes for market and mid-market rent to be let to households on low to moderate incomes, under powers offered through the City Region Deal

2. Background

- 2.1 Since 2016, the Edinburgh and South-East Scotland city region’s six local authorities (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and

West Lothian), together with the city region's universities and colleges, have been working with the Scottish and UK Governments to develop a transformational and inclusive city region deal that will provide the jobs of the future and address key economic barriers and issues constraining the region's economic potential.

- 2.2 A Heads of Terms tripartite agreement between the Scottish Government, UK Government and regional partners was signed on 19 July 2017. This is attached at Appendix 3. The Heads of Terms document set out the commitment of both Governments to jointly invest up to £600 million over the next 15 years across five key themes:
 - 2.2.1 Research, Development and Innovation;
 - 2.2.2 Employability and Skills;
 - 2.2.3 Transport;
 - 2.2.4 Culture; and
 - 2.2.5 Housing
- 2.3 This investment was subject to:
 - 2.3.1 Approval of final business cases for all projects and programmes;
 - 2.3.2 Development of a final city deal document and implementation plan;
 - 2.3.3 Establishment of clear and robust governance arrangements; and
 - 2.3.4 The consent of all constituent local authorities and partners.
- 2.4 Since July 2017, partners have been working with both Governments to develop businesses cases and the necessary documentation to commence the programme of investment.
- 2.5 On 26 October 2017, Council agreed that a Joint Committee, made up of the six local authority leader(s), a university/college representative, a business sector representative and a third sector representative would be formed to oversee the Deal.

3. Main Report

- 3.1 Appendix 1 to this report is the City Region Deal Document. This includes:
 - 3.1.1 Context and the partners' approach to ensuring inclusive growth
 - 3.1.2 A summary of the programmes and projects in the City Region Deal
 - 3.1.3 The City Region Deal Governance Framework
- 3.2 Appendix 2 to this report is the Financial Agreement. This describes the City of Edinburgh Council's role as the financial accountable body to distribute funds from Government to relevant regional partners.

3.3 The Deal Documentation, as set out in Appendices 1 and 2, is consistent with the Heads of Terms agreement, signed by partners, Scottish Government and UK Government in July 2017.

Summary of the Deal and Key Elements

3.4 A summary of the Deal is shown below:

Theme	Government contribution (£m)	Partner contribution (£m)	Total amount (£m)
Research, Development and Innovation	£350	£441	£791
Integrated Regional Employability and Skills Programme	£25	N/A	£25
Transport	£140*	£16	£156
Culture	£20	£25	£45
Housing	£65	£248	£313
Total	£600*	£730	£1,330*

**Includes £120m for Sheriffhall roundabout to be delivered by Transport Scotland*

3.5 The projects are summarised in Section 2 of Appendix 1. Each project is subject to business case approval from the relevant Government (s), Joint Committee and relevant partner authority or authorities.

Inclusive Growth

3.6 An analysis of the city region's inclusion challenges identified five thematic interventions to ensure that the spend outlined above addresses these challenges in the short, medium and long term. There is more detail on this in Section 1 of Appendix 1 and Section 7 of this paper.

Governance Framework

3.7 The City Region Deal Governance Framework is included in Section 3 of Appendix 1. The Governance Framework empowers local authorities to:

3.7.1 Operate strategically with their partners to realise the economic potential of the city region;

3.7.2 Respond to issues critical to the economic health and wellbeing of the city region;

3.7.3 Unlock economic assets; and

- 3.7.4 Decide on the alignment of resources in projects and programmes with the greatest potential for the city region in a transparent way.
- 3.8 Through the City Region Deal, the Governments and regional partners are embarking on a new relationship. The first phase is underpinned by the activities set out in the Deal. However, future phases will involve continuing to work together on transferring further powers, policy and resources levers, while also strengthening the city region's governance and capacity to deliver and to meet the recommendations of the Scottish Government's Enterprise and Skills Review as set out in the Heads of Terms and the UK Government's emerging Industrial Strategy
- 3.9 Reporting on IMPACT will be made directly to the Executive Board and Joint Committee in the short-term, before a wider Cultural Board is established.
- 3.10 Reporting on West Edinburgh will be made direct to the newly-formed Transport Appraisal Board who will report into the Executive Board and Joint Committee.

4. Measures of success

- 4.1 To assess how well the City Region Deal is aligning towards the overall vision and inclusive growth targets, the Project Management Office will produce an annual report on all city region deal activity. The template for the annual report will be agreed with Government, and shared with Government, and reported to all partner authorities and the Regional Enterprise Council every year.
- 4.2 To assess progress against the milestones set out in relevant business cases, each thematic group will produce a quarterly Risk and Performance Monitoring Report. An overall Programme Risk Register and Performance Monitoring Report will also be considered by the Executive Board and Joint Committee every quarter.

5. Financial impact

- 5.1 The approved 2018/19 five-year Capital Investment Programme includes a budget provision £5 million as a contribution to support delivery of the IMPACT project and a £16 million budget provision to support the delivery of public transport improvements detailed in the West Edinburgh Transport Appraisal.
- 5.2 No financial contribution will be required from the City of Edinburgh Council within the innovation and the integrated regional skills programme themes.
- 5.3 There may be financial contributions required for enabling infrastructure to unlock Edinburgh's Waterfront alongside the £50m Infrastructure Fund set out in the detail through the form of additional borrowing. The Governance Framework proposes that the Housing Infrastructure Fund be managed through a new Regional Housing Board. Council approval will be sought should financial contributions be required alongside these funds.

6. Risk, policy, compliance and governance impact

- 6.1 Each decision-making Board (as described in the Governance framework) will produce quarterly risk and performance monitoring reports. Where risks are

identified, change recommendations will be made. An overall risk register and performance monitoring report will also be considered by the Executive Board and Joint Committee every quarter. The template for these reports will be agreed with Government, and the reports will be shared with Government and the Regional Enterprise Council every quarter. Any risks that are relevant to the City of Edinburgh Council will be raised with Council if and when identified.

- 6.2 Every five years, an independent evaluation of the City Region Deal will be undertaken to capture progress and identify priorities for the next phase of delivery. Government will work in partnership with the Joint Committee to undertake the evaluation and support the implementation of agreed recommendations. This evaluation will be shared with partner authorities when published.
- 6.3 It is recommended that City of Edinburgh Council acts the Accountable Body for the City Region Deal, which will provide a link between the Scottish Government and all regional partners. This will be underpinned by a tri-partite agreement with the UK Government, Scottish Government, and the Council. All the City Region Deal grant monies will flow through the Scottish Government and then on to the Council over the lifetime of the deal.
- 6.4 The Council will be required to sign a grant offer letter from the Scottish Government. The Council will set up separate standard agreements with all regional partners and will be 'backed off' with the grant letter so that all terms and provisions are included. These agreements may require additional terms to make sure that there is no risk to the Council from any activities being delivered by regional partners. Legal Services will make sure that agreements are comprehensive and robust.

7. Equalities impact

- 7.1 Inclusive Growth is one of the Scottish Government's four priority areas in its Economic Strategy, and a key driver for the Deal is to promote equality through addressing inclusion across the region.
- 7.2 Partners recognise that prosperity and success is not universal across the region: 21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skills jobs. The deal will address these issues, create new economic opportunities, and is expected to provide up to a substantial number of new jobs.
- 7.3 The City Region Deal's inclusive growth ambitions are embedded in its plans and aligned with the Scottish Government's Economic Strategy ambitions, responding to the particular challenges faced across the region. A detailed analysis of the region's economy, accredited by the Scottish Government, was undertaken in 2018 and is summarised in Section 1 of Appendix 1. It identified six key inclusion challenges:
 - 7.3.1 Slow Growth;
 - 7.3.2 Regional disparities in jobs density;

- 7.3.3 Housing, transport and connectivity;
 - 7.3.4 Skills inequality and polarisation;
 - 7.3.5 Gender and age inequalities; and
 - 7.3.6 Low income and low pay
- 7.4 An inclusive growth framework is being developed to ensure that the city region deal projects can address these issues. Five thematic interventions to target these challenges will go some way towards ensuring that the benefits of the city region deal investment are shared as widely as possible:
- 7.4.1 Accelerating inclusive growth;
 - 7.4.2 Removing the physical barriers to growth;
 - 7.4.3 A significant programme of construction;
 - 7.4.4 Targeted skills interventions; and
 - 7.4.5 Social benefit through innovation.
- 7.5 Business cases for projects included in the programme have demonstrated, or will demonstrate, how they will reduce inequalities and tackle the inclusion challenges specific to the city region.
- 7.6 A Monitoring and Evaluation Framework is being developed for the programme, which will incorporate clear indicators to align with the Scottish Government Inclusive Growth Framework, also under development. This will form part of the Annual Report described in Section 4.
- 7.7 Equalities impacts arising from the City Region Deal have been considered as part of a draft Integrated Impact Assessment. No specific concerns have been identified. Integrated Impact Assessments will also be undertaken for all City Region Deal projects relevant to the City of Edinburgh Council and will be reported to the relevant committee or committees as the City Region Deal progresses.

8. Sustainability impact

- 8.1 The City Region Deal provides a mechanism to help drive forward investment in sustainable place making. It is being developed in line with the city's stated ambition to advance a sustainable economy.
- 8.2 The housing programme and the skills gateway for construction will strengthen regional capacity for innovative construction. This will help to deliver new low carbon homes, and current retrofit activity.
- 8.3 Partners are developing a cross-regional approach to community benefits that will help to capture job opportunities for regional citizens and the help to develop local supply chains.

9. Consultation and engagement

- 9.1 All projects in the City Region Deal have been consulted on, through the local and regional strategic planning processes.
- 9.2 A Regional Enterprise Council will be formed and is described in the Governance Framework. When formed, it will facilitate suitable links to the business sector, third sector and social enterprises.
- 9.3 Beyond this, further measures will be taken to actively ensure scrutiny, and effective consultation with the business community, third sector and general public. The Regional Enterprise Council and Joint Committee will develop these measures in partnership with Government. Options may include:
 - 9.3.1 an annual conference/seminar(s) tackling a key priority in the region;
 - 9.3.2 an annual online consultation with key stakeholders in the region/the general public; and
 - 9.3.3 a regular “roadshow” consultations on key upcoming projects across the region (linking in with the planning process).

10. Background reading/external references

- 1 ["City Deal - New Housing Delivery Partnership Acquisition of Homes 201819](#) - report to Finance and Resources Committee 12 June 2018
- 2 ["City Deal – New Housing Delivery Partnership Implementation - referral from the Housing and Economy Committee"](#) - report to The City of Edinburgh Council on 1 February 2018
- 3 ["Edinburgh and South East Scotland City Region Deal – Role of Third Sector and Social Enterprises"](#) – report to Corporate Policy and Strategy Committee on 5 December 2017
- 4 ["Governance for the Edinburgh and South-East Scotland City Region Deal"](#) – The City of Edinburgh Council, 26 October 2017
- 5 ["The Edinburgh and South East Scotland City Region \(ESESCR\) Deal"](#) – report to The City of Edinburgh Council on 30 June 2016
- 6 ["Edinburgh and South East Scotland City Region City Deal"](#) – report to Corporate Policy and Strategy Committee on 12 May 2015
- 7 ["Edinburgh and South East Scotland City Region City Deal"](#) – report to the Economy Committee on 28 April 2015
- 8 ["City Growth and Infrastructure Investment"](#) – report to the Economy Committee on 18 December 2014

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11. Appendices

Appendix 1 – Edinburgh and South-East Scotland City Region Deal Document

Appendix 2 – Edinburgh and South-East Scotland City Region Deal Financial Agreement

Appendix 3 – Edinburgh and South-East Scotland City Region Deal Heads of Terms



CITY REGION DEAL DOCUMENT

June 2018

ACCELERATING GROWTH

EDINBURGH AND SOUTH EAST SCOTLAND
CITY REGION DEAL

APPENDIX 1

Contents

Foreword	3
1 Introduction	4
• Context	4
• Our approach to ensuring inclusive growth	5
2 Key Elements of the Deal	9
• Research, Development and Innovation	9
• Integrated Regional Employability and Skills Programme	14
• Transport	19
• Culture	21
• Housing	22
3 Governance Framework	24
• Context	24
• Overarching principles	24
• Governance structure	25
• Standing orders, delegated authority and terms of reference	26
• Resourcing	26
• Decision-making/change process	27
• Accountability	28
Annex A Terms of Reference for Governance Bodies	30

Foreword

The Edinburgh and South-East Scotland City Region Deal is a mechanism for accelerating economic and inclusive growth in the City Region.

The UK Government and Scottish Government are investing £600 million into the city region over the next 15 years. Alongside partners, comprising: the six member authorities - The City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian Councils; the city region's universities and colleges; and the private and third sectors, £1.3 billion of investment will be delivered.

Building on the Heads of Terms, signed in July 2017, this document sets out a compelling vision that builds on the city region's unique strengths to deliver a number of transformational programmes and projects across Innovation, Skills, Transport, Culture and Housing themes. Together, these interventions will deliver a step-change in inclusive growth to benefit the city region, Scotland and the United Kingdom.

Our signing of this document reaffirms our joint commitment to achieve full implementation of the Edinburgh and South-East Scotland City Region Deal together over the next 15 years.

1 Introduction

Context

- 1.1 The Edinburgh and South-East Scotland City Region (the city region) comprises six local authorities and has a population of approximately 1.4 million people¹, more than a quarter of the Scottish population, and contributes approximately £36 billion per year to the Scottish and UK economies².
- 1.2 But prosperity and success is not universal across the city region: 22.4% of children are living in poverty³; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skill jobs. The City Region Deal will address these issues; it will accelerate growth, create new economic opportunities, and meaningful new jobs that will help to reduce inequalities.
- 1.3 The City Region Deal partners (the partners) comprise: The City of Edinburgh Council; East Lothian Council; Fife Council; Midlothian Council; Scottish Borders Council; West Lothian Council; the city region's universities and colleges; and the city region's business and third sectors.
- 1.4 In July 2017, the partners signed a Heads of Terms agreement with the UK and Scottish Governments to deliver the deal. The Heads of Terms are available to download on the [Accelerating Growth website](#).
- 1.5 This ambitious city region deal, identifies new and more collaborative ways that partners will work with UK Government and Scottish Governments to deliver transformational change to the city regional economy. The Governments will jointly invest £600 million over the next 15 years and regional partners committed to adding in excess of £700 million, overall representing a deal worth £1.3bn. A summary of the Deal of shown in Table 1:

¹ National Records for Scotland, 2017 mid-year population estimates.

² ONS (2015)

³ End Child Poverty, 2018

Table 1: Edinburgh and South-East Scotland City Region Deal Financial Summary

Theme	Government contribution (£m)	Partner contribution (£m)	Total amount (£m)
Research, Development and Innovation	£350	£441	£791
Integrated Regional Employability and Skills Programme	£25	N/A	£25
Transport	£140*	£16	£156
Culture	£20	£25	£45
Housing	£65	£248	£313
Total	£600*	£730	£1,330*

**Includes £120m for Sheriffhall roundabout to be delivered by Transport Scotland*

- 1.6 Through the City Region Deal, the Scottish and UK Governments and regional partners embark on a new relationship. To deliver cross-regional City Region Deal projects effectively in the short-term and to create future regional infrastructure in the long-term, partners are working to enhance existing and develop new regional collaboration for strategic coordination across transport, housing and economic development.

Our Approach to Ensuring Inclusive Growth

Background

- 1.7 In 2015 the Scottish Government set out its [Economic Strategy](#) for achieving increased sustainable economic growth. Its two mutually supportive objectives of boosting competitiveness and tackling inequalities are underpinned by four key strategic priorities to drive economic growth – Investment, Innovation, Internationalisation and Inclusive Growth.
- 1.8 The introduction of Inclusive Growth as a central component of the strategy set out the case for delivering an economic agenda that drives sustainable economic growth and productivity across all of Scotland’s regions, places and communities.
- 1.9 Partners recognise the importance of ensuring that Inclusive Growth ambitions are embedded in their plans for the city region, responding to the particular challenges faced across the city region’s geography.
- 1.10 Work has been ongoing to develop an analytical framework which provides an evidence base, enabling partners to identify the city region’s key Inclusive Growth challenges, and to propose an approach to help address these through City Region Deal activities.
- 1.11 This approach identifies a number of thematic interventions, and proposes a range of indicators to help track progress. It aligns with, and complements, the Inclusive Growth diagnostic under development by the Scottish Government.

Inclusive Growth Challenges Specific to the City Region

1) Slow Growth

1.12 While the city region has been experiencing growth, with a number of thriving sectors, productivity levels have slowed in recent years and there remains a stark productivity gap when compared with benchmark city regions internationally. Furthermore, there are significant regional disparities in job and outputs growth, with forecasted growth concentrated in the Edinburgh city area.

2) Regional Disparities in Job Densities

1.13 Regional disparities are also evident in job densities, ranging from 0.55 in East Lothian to 1.02 in the City of Edinburgh.⁴ Strong cross-region commuting patterns result, contributing to areas of congestion and significant levels of pollution in some locations.

3) Skills Inequality and Polarisation

1.14 Clusters of disadvantage exist across the city region, with related variations in skills levels, health outcomes and earnings. The availability of highly skilled jobs varies from 55% employed in managerial, professional and technical/scientific occupations in Edinburgh to 38% in the Scottish Borders.⁵ There is also evidence of a growing shortage of higher level skills, most notably in the technology sphere. Future activity in Construction, Healthcare and Tourism risks being constrained by skills shortages that have the potential to blunt the city region's competitiveness in coming years.

1.15 The variation in skills affects income levels; these are skewed towards lower and higher wages, with relatively few individuals at middle income levels. 22% of the city region's children live in low income households, with wide local inequalities, (nine of the city region's multi-member wards have poverty rates over 30%, while 11 wards have rates of 15% or less).⁶

4) Gender and Age Inequalities

1.16 Gender and age inequalities are also prevalent. On average, men across the city region earn 14% more than women, and female participation and employment rates tend to be lower too.⁷

5) Housing, Transport and Connectivity Issues

1.17 While the city region has benefitted from a number of major transport improvements including the Queensferry Crossing, Borders Railway and tram and bus network improvements, infrastructure constraints remain. These connectivity issues are impacting upon the availability of land for housing

⁴ Annual Population Survey (2016)

⁵ Labour Force Survey (Sep 2017)

⁶ End Child Poverty (2017)

⁷ Annual Survey of Hours and Earnings (2017)

and commercial expansion. Satisfaction levels with public transport also vary widely across the city region.

- 1.18 Average house prices in the city region are above the Scottish average, with high house price to earnings ratios in many locations. There has also been rapid growth in the cost of private rented accommodation. By 2037, a need for 140,000 new homes in the city region has been identified.

The Edinburgh and South-East Scotland City Region Deal Inclusive Growth Framework

- 1.19 The city region partners have identified five key thematic interventions to target the challenges laid out above, interventions that will go some way towards ensuring that the benefits of the City Region Deal investment are shared as widely as possible.
- 1.20 A range of performance indicators will be agreed with both Governments to measure the impact of these interventions across the deal. These will be based on the advice of Scotland's Centre for Regional Economic Growth to ensure consistency with other Deals across Scotland and will align with the new National Performance Framework. The indicators will measure the delivery of inclusive growth through the Deal, including the impact on the equality of opportunity through consideration of protected characteristics to ensure the benefits are shared by everyone in Scotland's communities.

Theme 1: Accelerating inclusive growth

- 1.21 The City Region Deal is focused on accelerating Inclusive Growth across the city region, driven by a significant programme of construction in the short term, and sustained over the medium and long term by ongoing investment across the city region. The Data Driven Innovation (DDI) programme of investment will be a key driver in helping to deliver a step-change in regional economic activity.

Theme 2: Removing the physical barriers to growth

- 1.22 Interventions to unlock current physical barriers to growth, including housing and transport connectivity are a key component of the City Region Deal. A significant programme of house building will be targeted at increasing the supply of housing, integrating the latest technologies, and helping to reduce fuel poverty across the city region. By upgrading existing transport infrastructure, the aim is to reduce journey times across the city region, opening up more job opportunities for residents and augmenting the impact of recent major investments.

Theme 3: A significant programme of construction

- 1.23 A significant programme of construction, funded by the City Region Deal is planned across the city region. Through an agreed approach to City Region Deal procurement, Community Benefit clauses will be used to target inclusive employment practices and other opportunities. A consistent approach will be taken to applying the principles laid out in the Scottish Government's Business Pledge. Benefits will be felt in the short, medium and long term.

Theme 4: Targeted employability and skills interventions

- 1.24 A programme of integrated and targeted employability and skills interventions will be directed at widening access, addressing skills shortages and gaps, and delivering improvements to boost the flow of individuals from disadvantaged groups into good career opportunities. Impacts will be felt over the short, medium and long term.

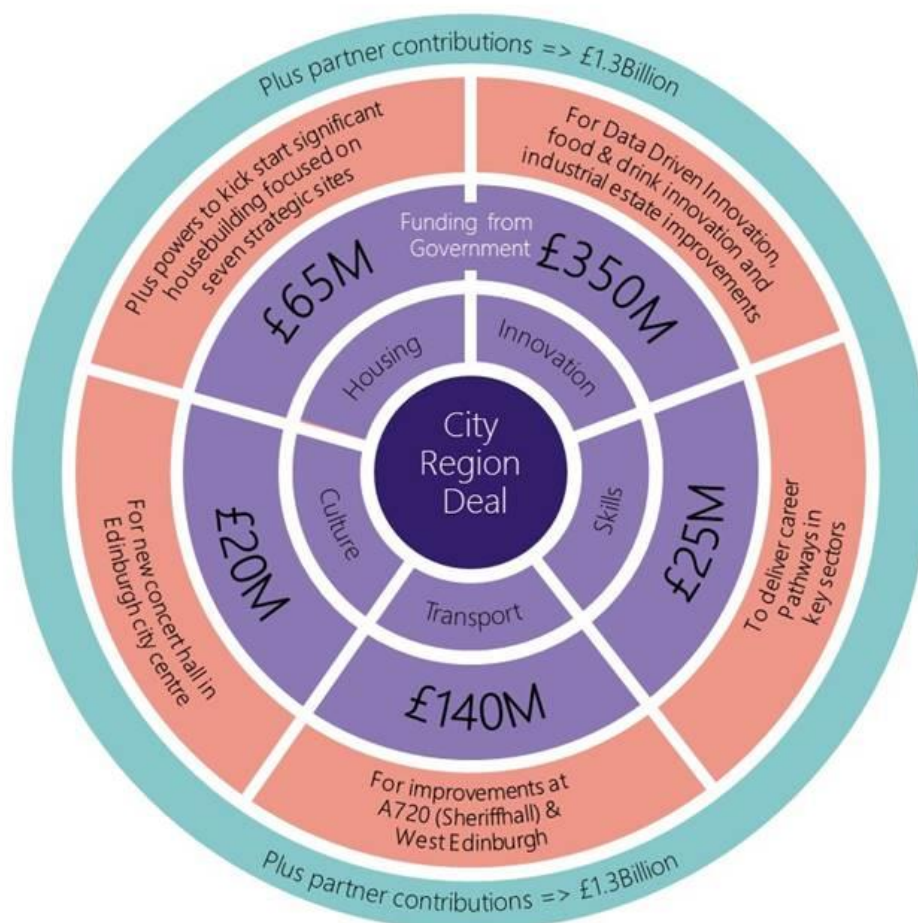
Theme 5: Social benefit through innovation

- 1.25 Recognising the potential presented by a significant investment in DDI, opportunities to drive out challenged-based social benefit across the city region, over the medium and long term, will be explored.

2 Key Elements of the Deal

2.1 The five themes of the Deal are summarised in Figure 1:

Figure 1: The Edinburgh and South Scotland City Region Deal



Research, Development and Innovation

2.2 Over 15 years, the UK and Scottish Governments will commit £350m to support the development of a number of initiatives in the innovation theme.

Five Data-Driven Innovation (DDI) Research, Development and Innovation (RD&I) sectoral hubs

2.3 The [Edinburgh and South East Scotland Science and Innovation Audit \(SIA\)](#) detailed how the ability to collect, store and analyse data from an array of diverse sources will become increasingly important in driving economic growth, social change and public services. By harnessing this challenge the aim of the Data-Driven Innovation (DDI) Programme is to establish the city region as the Data Capital of

Europe. To achieve this, the DDI Programme will enhance the data capability of the region across key industry sectors through five areas of activity:

- **Talent:** by meeting data skills demands through a range of new undergraduate, post graduate and professional development programmes;
- **Research:** through expanding the City Region's leading DDI research activities to meet industry and other sectors future data needs;
- **Adoption:** by increasing the practical use and adoption of DDI by the public, private and third sectors;
- **Data:** by providing the secure data storage, analytical capacity and data accessibility to underpin all DDI Programme activities; and,
- **Entrepreneurship:** by enabling entrepreneurs to develop new fast growth DDI-based businesses.

2.4 The DDI Programme will be delivered through a network of five DDI Innovation Hubs - Bayes Centre, National Robotarium, Edinburgh Futures Institute (EFI), Usher Institute, and Easter Bush. These hubs will draw upon the World Class Data Infrastructure (WCDI) project to provide the required underpinning data capability, computing and data storage infrastructure.

2.5 The UK Government and the Scottish Government have together committed, subject to business cases, an indicative amount of up to £270 million to support the development of the DDI Programme. This will be matched by up to £391 million capital investment from the universities and other sources.

The Bayes Centre

2.6 The Bayes Centre, powered by the proposed investment in World Class Data Infrastructure (WCDI), provides the focal point for all the other DDI programme initiatives in the city region. The Bayes Centre will assemble up to 600 world-leading applied data science researchers, talented students and staff from organisations across the public, private and third sectors into one facility. It will do this by providing commercial collaboration space - and robotics "Living Lab" testing facilities - for use by industry, and by drawing together the University of Edinburgh Schools of Informatics, Mathematics, and Design together with the Alan Turing Institute, the Data Lab and the Edinburgh Parallel Computing Centre.

The National Robotarium

2.7 The National Robotarium will provide state of the art facilities to co-locate researchers, R&D engineers, entrepreneurs and educators to deliver the UK's leading international centre for the generation of new smart robotics companies. The activities proposed build on the established partnership with University of Edinburgh through the Edinburgh Centre for Robotics. The National Robotarium, through its Living Laboratories and engagement mechanisms, will enable subject matter experts to understand the needs of major companies. It will bring together the capabilities of the Centre for Innovative Manufacturing of Laser based production processes, coupled with the researchers in robotics and autonomous systems, linking with the UK High Value Manufacturing Catapult's Manufacturing Technology Centre and Centre for Process Innovation, to engage directly with industry, for the benefit of the local and national economy.

- 2.8 The National Robotarium will be co-located on the Heriot-Watt University campus, having access to the resources of both Heriot-Watt and the University of Edinburgh. It will offer access to leading-edge applied research in autonomous systems, sensor technologies, and existing micro-assembly equipment.

The Edinburgh Futures Institute

- 2.9 The Edinburgh Futures Institute (EFI) will be a global centre for multi-disciplinary, challenge-based DDI research, teaching and societal impact. The world is experiencing major changes including climate volatility, political discontent, economic upheaval and technological change. EFI will bring different ways of thinking about these and other global issues, and of devising new solutions. EFI will provide thought-leadership in cultural, ethical, managerial, political, social and technological DDI issues, and help to transform the application, governance and exploitation of data. It will do this by bringing together a range of academic disciplines, together with third party organisations, across financial services, cultural industries and the public sector that are dealing directly with these challenges.

The Usher Institute

- 2.10 The overall objective of the Usher Institute is, through the application of data science, to develop innovative and financially sustainable models of health and social care that improve lives. The Usher Institute, located at Edinburgh BioQuarter, will become a world-leading hub where up to 600 health and social care researchers and scientists will collaborate with colleagues from public, private and third sectors organisations to deliver data-driven advances. The Usher Institute will drive health and social care innovation at scale by integrating the activities of: clinicians, life scientists and data scientists to identify new, co-produced insights in identified areas of challenge; and industry and public sector organisations to extract, apply and commercially exploit expert knowledge.
- 2.11 The Usher Institute will draw on Scotland's mature and world-leading health data assets, and well-established governance and data-sharing protocols developed in partnership with the National Health Service and the Scottish Government.

Easter Bush

- 2.12 An efficient agricultural sector is critical to social well-being and, by 2050, global agricultural production will need to increase by 50% to feed a growing global population. By applying data technologies that enable farmers and related industries to improve food production, digital agriculture (Agritech) will be critical to increasing global food supply.
- 2.13 The project will seek to leverage existing world-class research institutes and commercialisation facilities in order that Easter Bush becomes a global location of Agritech excellence. It will do this through the deployment of a campus-wide network that will generate and collate, in real time, a multitude of local and global data, (e.g. animal genetics, food species genetics, soil condition, weather and market drivers). It will also work with commercial collaboration partners to use this information to realise the potential of having the right food species, and the right products, in the right field at the right time to maximise agricultural productivity. In addition, by improving on-site infrastructure and

local road network, commercial partners will be able to co-locate at scale to commercially exploit Agritech breakthroughs.

Data Infrastructure and Analysis Technology

2.14 The World Class Data Infrastructure (WCDI) project will provide the enabling data infrastructure platform for the wider DDI Programme. The DDI Programme requires an extremely powerful, high capacity and flexible infrastructure, capable of responsive delivery of an expanding range of complex and bespoke data and analytical services. By leveraging prior investments in the Edinburgh Parallel Computing Centre (EPCC), and specifically its Advanced Computing Facility (ACF), WCDI represents a practical, flexible and cost-effective approach to the delivery of the diverse technological requirements of the DDI Programme.

Food and Drink Innovation Campus

2.15 The Food & Drink Innovation Campus will be located at Craighall, by Musselburgh, East Lothian, on land next to the Queen Margaret University campus.

2.16 The Food & Drink Innovation project will deliver a flexible innovation space that will be directly adjacent to, and supported by Queen Margaret University – a university that is leading on international research in Dietetics, Nutrition and Biological Sciences. The innovation space will be set within a significant new wider business development space that will also be unlocked through the project.

2.17 This new state-of-the-art innovation facility for the food and drink sector in Scotland will drive company growth, supporting and developing existing and creating sustainable new businesses to access a global market for healthy and functional food. The development will allow the Queen Margaret University, along with businesses, to form and grow a business sector that will harness the potential of translational medicine in food and drink. This will in turn support the diversification of the Food and Drink industry towards preventative, therapeutic and rehabilitative applications of expertise in genomics of disease, biomarkers and bioinformatics. It will help close the existing innovation gap within the Food & Drink sector.

2.18 The proposal will be part of an integrated multi-agency regional employability and skills “escalator”, which will help people facing labour market exclusion into entry level employment; put in place in-work up-skilling incentives at scale; and support a pipeline of indigenous and global talent ensuring that the growing demand for high level graduate skills that the industry sector requires is met.

A Programme of Investment in Economic Infrastructure

2.19 This programme, worth £74 million will ensure that businesses and communities across the city region are fully able to engage in the data-driven innovation opportunities, including industrial and business premises, to ensure maximum impact from the innovation investment. Working closely with the region’s universities, the local authorities and their local business forum/economy partnership will also develop new approaches to stimulating innovation activity. This will be achieved through a range of innovation activities with a focus on digital technologies and data and the circular, low carbon economy. The ambition is to have more innovation-active businesses in Fife and Scottish Borders, i.e.

businesses that are engaged in all forms of innovation. In the medium term, the ambition is to increase business investment in formal innovation such as research and development. This will deliver improved productivity and higher value jobs for the local authority areas and the city region. In the longer-term, businesses could sustain and improve their economic performance through increasing the value they generate from their data by adopting digital technologies - to create new products, new supply chain arrangements, new business models, individually and through collaboration - thereby creating/safeguarding jobs and turnover. The aim is to create long term investment programme in Fife and Scottish Borders that can be replicated elsewhere in the city region through other economic development and investment projects.

Fife Industrial Estates Regeneration

2.20 The programme will deliver a major investment programme in infrastructure and modern business premises to support economic development in Fife. Such investment will increase the supply of serviced employment land and new industrial, office and business space in Fife. Innovation is being defined as “doing things in new, hopefully better, ways” that ultimately leads to a transformational change in business performance and local economy mix and strength. In the longer-term, Fife businesses could sustain and improve their economic performance through increasing the value they generate from their data by adopting digital technologies, to create new products, new supply chain arrangements, new business models, individually and through collaboration, thereby creating and safeguarding jobs and turnover. The aim is to create long term investment programme in Fife that can be replicated elsewhere in the city region through other economic development and investment projects.

Tweedbank Innovation Park

2.21 The Central Borders Innovation Park, situated next to the Borders Railway terminus at Tweedbank, will deliver much-needed high quality business space to the Scottish Borders. Costing £25 million, the project will stimulate business growth and associated job creation, enhancing the area’s inward investment offer, particularly to high-value sectors, as well as assisting existing businesses to improve their competitiveness. It will also help to address inequalities in the area through providing access to better quality, higher paid jobs.

Integrated Regional Employability and Skills (IRES) Programme

- 2.22 Since the economic recession in 2008 the Scottish economy has been steadily improving. Average unemployment across the city region's is currently low, however this masks some important factors - there is still some evidence of persistent worklessness, unemployment, and poverty for some of our communities and vulnerable citizens.
- 2.23 Key inclusion challenges in the city region, outlined in Section 1, are evident: Slow growth; regional disparity in job density; skills inequality and polarisation; gender and age inequalities; low income and low pay; and housing, transport and connectivity.
- 2.24 The Integrated Regional Employability and Skills (IRES) Programme and its underpinning private, public, and third sector partnership is a key way in which partners intend to embed Inclusive Growth practices in the city regional labour market and evolving policy and practice to:
- increase the visibility and unlock access to good opportunities for all the city region's citizens;
 - open up new talent pools to business and stimulate increased recruitment from under-represented groups into the good jobs and careers being generated in the region;
 - evolve, streamline, and integrate employability and skills services to ensure citizens are equipped with the skills they need to succeed throughout their working life;
 - put in place complementary supports to help people mitigate any barriers they may have in achieving their potential and ensuring that these supports are part of an integrated person-centred approach;
 - develop the collective knowledge, organisational cultures, networks, policies and practices that are essential to accelerating progress to an inclusive, innovative and future-proofed regional economy; and
 - maximise the impact of employability and skills investments by public, private, and third sector partners and fully harness the potential of City Region Deal to stimulate a step change in performance.
- 2.25 The IRES model and programme has been developed by using the extensive expertise and knowledge of the city regional partners to create a development structure, programme and set of mutually supporting projects that not only add value to current services and interventions, but also creates the conditions to incrementally improve the inclusive growth impact of our collective investment in the city region's labour market.

- 2.26 The model is based on the “Plan-Do-Review-Revise” improvement cycle⁸ with a focus on five Pillars that are judged as critical to creating a more inclusive and impactful regional employability and skills services as part of a “whole person”, “whole system” and sustained impact approach to thinking about services.
- 2.27 The Scottish Government has committed to investing £25m to support the change activity supported through the IRES Programme. This will be augmented by partner resources, and be integrated with existing funding streams. The IRES Programme Business case provides more detail on the proposed change activities and the steps to success, but a synopsis is set out below:

Pillar 1: Regional Leadership and Improvement Capacity

- 2.28 The barriers and obstacles that disadvantaged sections of society face in accessing and progressing in employment are complex and typically cut across disciplines and stakeholders.
- 2.29 This multiplicity of stakeholder involvement, although important for stimulating innovative solutions to our challenges, can also lead to service misalignment and an opaque service offer (for beneficiaries and service professionals alike) that creates barriers and inertia in the pipeline of support and an increased likelihood of poor outcomes for the most vulnerable in society.
- 2.30 Therefore, a critical part of making progress towards an inclusive labour market will be the creation of the right leadership and collaboration environment to stimulate whole system thinking and a shared commitment to improving the quality and quantity of collective outcomes.
- 2.31 The IRES Board and supporting development structure that is being put in place to support collaboration and the delivery of project activity is outlined in the City Region Deal Governance Framework (Section 3 of this document) and the IRES Programme Business Case.

Pillar 2: Understanding of Labour Market Need and Opportunity

- 2.32 The collective visibility, understanding, and active response to regional labour market dynamics, service impact, and new innovative approaches is vital to the creation of a citizen-centred, demand-led and integrated approach.
- 2.33 Therefore, developing our collective capacity to understand and disseminate the opportunities and challenges for the city regional labour market along a greater understanding of inclusive growth impact of our interventions will be important for driving progress towards our long-term goals.
- 2.34 In this initial phase the partnership is focusing on two Projects:

⁸ Social Work Inspection Agency: Guide to Managing and Improving Performance: Taking a closer look at managing and improving performance in social work services

Integrated Knowledge Systems

- 2.35 This project will aim to better align and integrate partner performance management systems and digital services to enable the more effective pooling, analysis, and dissemination of performance information that will be critical to driving service improvement, increased responsiveness, and the creation of an integrated person-centred approach.

Labour Market Analysis and Evaluation

- 2.36 This project will create a cross-partner virtual team to undertake research and evaluation support for the IRES programme. It will draw on existing partner expertise to provide insights on the success of our activities, expose obstacles or ineffective approaches, and identify best practice from elsewhere that could be adopted or tested as part of a culture of continuous improvement.

Pillar 3: Building Strong Employer and Citizen Relationships

- 2.37 Businesses and citizens are the engine of the economy and the primary beneficiaries of our employability and skills system.
- 2.38 Therefore, strengthening our (bilateral) relationships with employers and citizens to; enhance our collective knowledge of opportunities and blockers to success, tackle misconceptions and promote culture change within stakeholders, and ensuring that we work with people not “do unto them” in the journey to success will be important for setting and adjusting our strategic and tactical direction.
- 2.39 In this initial phase the partnership is focusing on two Projects:

Integrated Employer Engagement

- 2.40 This project work will clarify, co-ordinate and improve the employability and skills service offer to employers. The partners will establish a “No Wrong Door” approach that will create designated points of contact to manage individual employer relationships that will allow us to; tailor and route our combined service offer, pool and match the opportunities that are generated, reduce double handling, and so strengthen individual relationships. To complement this, the partners will also develop a regional approach to “Community Benefits from Procurement” to ensure that the significant expenditure of the partners fully exploits any opportunity to drive inclusive growth. This project stream will also work on developing our network of Recruitment and Skills Centres to act as a tangible interface between the partners and business particularly in geographic or sectoral high demand areas.

Intensive Family Support Service

- 2.41 Developing a multi-agency family focused service that targets very small areas of intense need for a rolling series of inter-connected interventions that aim to counteract helplessness, dependency, and low aspirations. The service will offer a combination of intensive general and specialist supports tailored to help support individuals within families to progress towards their own goals, as well as

developing “whole family” activities that build a support network and improve the family dynamic and ability to provide effective support for each other.

Pillar 4: Targeted Skills Development

- 2.42 Supporting all sections of society to acquire the knowledge and skills and secure the complementary supports they need (throughout their working lives) to develop and progress will be critical to maximising the talents of our citizens and unlocking the full potential of our economy.
- 2.43 Therefore, developing integrated and universally well-understood career pathways (i.e. academic, blended, and vocational) for our key industries, that are interlocked with other enabler services (e.g. Health, Care, and, Financial) will be important to allowing the talents of all our citizens to blossom.
- 2.44 In this initial phase the partnership is focusing on developing, testing, and mainstreaming integrated career pipelines for two industrial sectors critical to the regional economy and maximising the impact of wider City Region Deal investment in Innovation, Housing, Transport and Culture. These Projects are:

DEC (Design, Engineer, Construct) Targeted Skills Gateway

- 2.45 The DEC Gateway will bring together industry, universities, colleges, schools and other partners to provide an integrated (visible) progression routes into Construction and Low Carbon careers encompassing basic/key skills in schools through to advanced postgraduate training and research role in business that help drive high value growth. It will create and deliver employability, skills attainment, upskilling and career progression and inclusion support activities to enhance productivity, competitiveness and support innovations currently gaining momentum in the sector. This will help address the skills shortages in the sector and open up new opportunities to non-traditional groups of people into the construction sector helping to increase the diversity of the sector.

DDI (Data Driven Innovation) Targeted Skills Gateway

- 2.46 The DDI Gateway will bring together industry, universities, colleges, schools and other partners to provide integrated and visible progression routes into DDI careers encompassing basic/key skills in schools (Digital Citizens who interact with public and private digital services) through to advanced postgraduate training and research (Digital Business Leaders driving the development of global digital businesses) that help drive high value growth. It will also help develop the data science curriculum and CPD for employability and learning professionals along with integrating skills development and progression opportunities for individuals who can be locked out of the industry helping to address inclusion challenges within the industry.

Pillar 5: Active Opportunity Matching

- 2.47 Given the inclusion challenge faced there must be a more active approach to supporting disadvantaged individuals' access and succeed in work or enterprise.

2.48 Therefore, it will be important that we make the best use of relationships, business start-up and career services, digital technologies, active travel and childcare services to ensure personal circumstances or geography is not a barrier to progression.

Workforce Mobility

2.49 This project focuses on the blockers to the full mobility of the regional workforce beyond individual personal skills and capabilities. The initial area of weakness being examined is the role of travel in supporting vulnerable or disengaged members of our workforce to move into and sustain good learning or work opportunities, while also opening up new talent pools for employers. There are several transport subsidy schemes that young people, job seekers, and new (vulnerable) job entrant can access to help sustain work, but these schemes are not joined up and can have considerable restrictions in their use. Also in rural areas the level of demand may mean that travel options are limited. The project will therefore explore the potential of the National Entitlement Card to be the mechanism for a single concessionary travel offer, examine how the existing combined travel support offer can be used to maximise the positive impact on disadvantaged groups seeking work or learning, and finally how we can work with transport colleagues to identify opportunities to create active travel options to that widen the range of transport options for disadvantaged jobseekers and learners.

Transport

- 2.50 The City Region Deal will deliver major investments to ensure that Scotland's capital and its region is served by world class transport infrastructure.
- 2.51 Partners will put in place a Regional Developer Contributions framework based on the work currently being led by SESplan (the strategic development planning authority for Edinburgh and South-East Scotland) and findings of the [Cross-Boundary Study](#), published in 2017. These interventions and commitments, taken with the additional transport investment to enable the innovation and housing projects, will help ensure the city region continues to grow and flourish.
- 2.52 The Scottish Government is committed to investing £140m on strategic transport improvements as part of the City Region deal. This specifically includes up to £120m to support improvements to the A720 City Bypass for the grade separation of Sheriffhall Roundabout and £20m investment to support public transport infrastructure improvements identified by the West Edinburgh Transport Appraisal.
- 2.53 Partners will also contribute towards the improvements in West Edinburgh. The vision for West Edinburgh, as identified by Scottish Government's National Planning Policy (NFP3), can only be delivered through the investment in a strategic package of transportation improvements. These improvements include a core package of A8/A89 sustainable transportation measures that provide long term resilience and support strong connectivity between neighbouring authorities, and importantly enable the supply of the increased labour supply demands required, to deliver the full economic potential of West Edinburgh; current infrastructure constrains any such economic growth.
- 2.54 Transport Scotland will manage and deliver the upgrade of Sheriffhall Roundabout. The preferred option is a grade separated junction which separates local traffic from the strategic traffic on the A720 (city bypass) and when complete will allow the traffic on the bypass to flow freely, improving road safety and journey times for all road users, bringing improved economic benefits and inclusion across Edinburgh and South-East Scotland. It will improve accessibility for all modes of transport including walking and cycling. Transport Scotland will provide updates on progress to the Transport Appraisal Board, as well as the Executive Board and Joint Committee as and when appropriate.
- 2.55 An Edinburgh and South-East Scotland City Region Transport Appraisal Board (TAB), comprising the six local authorities representing the city region deal, SESTRAN and Transport Scotland will be formed to help shape transport policy, strategy and priorities across the city region. The TAB will take a specific role in representing the city region's interests through the reviews of the National Transport Strategy and the second Strategic Transport Projects Review. This group will also provide a channel for involvement in the development and delivery of the improvements to Sheriffhall Roundabout, building upon the already established stakeholder engagement being led by the design team in Transport Scotland, to ensure that benefits are maximised, particularly around community benefits and opportunities for skills development.
- 2.56 The TAB will report to the Transport Board which will work closely with the city regional Housing Board and with Government to influence and formalise any future regional partnership working which

may emanate from the moves to a Regional Economic Partnerships as well as regional land use planning, depending on the outcomes of parliaments current consideration of the Planning Bill.

Culture

2.57 Scotland's capital city has a world-class cultural offer which is vital in attracting around four million visitors a year into the city core who inject £1.3 billion to the city region's economy.

IMPACT

2.58 The Scottish Government and UK Government will provide up to £10 million each (up to a maximum of £20 million), and the City of Edinburgh Council will provide £5 million of capital funding to support the delivery of the new IMPACT Centre, a concert hall and performance venue, that will reinforce Edinburgh's position as a pre-eminent Festival City.

2.59 The IMPACT Centre will be immediately adjacent to a historic building on St Andrew Square in the heart of Edinburgh and will provide a new home for the Scottish Chamber Orchestra, the only Edinburgh-based National Performing Arts Company. It will house a 1,000-seat auditorium and studio facilities to enable rehearsal, recital and recording space, as well as enabling community outreach and education, conferences and multi-art-form use. The site will be enhanced by the provision of a restaurant, cafe and bar facilities.

2.60 The new world-class performing arts venue will deliver £35 million private sector investment and make a significant contribution to the ongoing success of Edinburgh's cultural offer.

Housing

2.61 The Deal reflects the joint commitment of city region partners and the Scottish Government to deliver the regional housing programme, transforming regional housing supply and driving economic and inclusive growth across Scotland.

2.62 The regional housing programme aims to accelerate the delivery of affordable housing and housing across all tenures, enable the development of seven major strategic housing sites and drive efficiencies across the public sector estate.

2.63 Collaboratively regional partners and Government will work together on:

- **An expanded affordable housing programme** that builds on the committed additional £125 million between 2018/19-2020/21, with a commitment to maximise certainty over future public funding levels for the regional housing programme.
- Developing **risk-sharing guarantees** on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council have agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, Winchburgh Developments Limited and the Scottish Government.
- **Seven strategic sites** have been identified in SESplan as key areas of change and growth (Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh). Business cases will be developed within the 15-year period of the Deal, of which Winchburgh is likely to be the first. Taken together these sites will deliver over 41,000 new homes, create 7,800 jobs and contribute over £10 billion to the wider economy. The Scottish Government and city region commit to work together on each of these strategic housing sites recognising the long-term nature of these proposals with most new homes being delivered over a 15-year period. To support this, the Scottish Government will commit at least £50 million. City Region partners will explore, with the Scottish Government, innovative solutions to stimulate creative ideas, fresh thinking and innovation in the provision of affordable housing. This collaboration will consider the evolving financial landscape with the Scottish Government's proposals to establish the Building Scotland Fund and Scottish National Investment Bank.
- **An increased supply of good quality low cost market rent housing** across the region. This is an essential requirement for meeting the housing needs of key workers and those on low to middle incomes who cannot access home ownership and are not a priority for social rent. The Scottish Government will provide a funding package comprised of a one-off £16.1 million capital grant and consent for the City of Edinburgh Council to on-lend up to £248 million to establish a new housing company with Scottish Futures Trust (SFT) to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels. The City of Edinburgh Council and SFT will continue to share learning and financial models with city region partners, to explore regional delivery models.

- City region partners will work jointly with both Governments to **maximise the potential contribution of public sector land and property** in the region to help unlock further new housing and wider public policy objectives.

Drawing on the approach taken with many other City Deals across the UK, the Edinburgh Partnership (Edinburgh's Community Planning Partnership) is in the process of establishing an Edinburgh Land Commission, chaired by the Council's Chief Executive.

Once working effectively at a city scale, regional partners will be invited to become members of a regional land commission.

- **More Jobs, training and apprenticeships as well as opportunities for regional construction related SMEs.** The city region housing partnership will align with the Integrated Regional Employability and Skills (IRES) Programme and specifically to the Housing and Construction Skills Gateway (DEC Gateway) to meet existing and future skills requirements in the construction and housebuilding sectors. This will deliver more jobs, training and apprenticeships, as well as opportunities for regional construction related SMEs.

Community benefits from regional housing investment will be maximised to ensure sustainable jobs and economic growth is created for local communities. Regional housing partners will support IRES colleagues to work towards developing a consistent all partner approach to community benefits.

- The **Edinburgh and South-East Scotland City Regional Housing Board** will provide robust governance and strategic oversight over the regional housing programme. The Regional Housing Board will make recommendations to the Joint Committee to ensure the effective delivery of the city region deal housing projects. The Regional Housing Board will work with Government to influence any future regional partnership working as this emerges through the enterprise and skills review, planning bill and following the future implementation of the new planning act.

3 Governance Framework

Context

3.1 This document sets out effective and accountable governance arrangements for the Edinburgh and South-East of Scotland City Region. The Governance arrangements enable decisions to be taken in an open and transparent way in one place for the whole of the city region.

Overarching Principles

Driving Inclusive Growth for Edinburgh and South-East Scotland

3.2 The city region's partners recognise that delivering the twin ambitions of innovation and inclusive growth through the City Region Deal requires alignment between local, regional and national ambitions, policies and resources. The governance arrangements outlined in this document empower local authorities to:

- operate strategically with their partners to fully realise the economic potential of the city region;
- respond to issues critical to the economic health and wellbeing of the city region;
- unlock economic assets; and
- decide on the alignment of resources in projects and programmes with the greatest economic potential for the city region.

Financial Diligence

3.3 Throughout all the strands of the City Region Deal, partners and the City of Edinburgh Council as the lead authority shall be bound by the key principles of personal responsibility for the propriety and regularity of the finances under their stewardship and for the economic, efficient and effective use of all related resources. Risk management and assurance best practice shall be integral to this and respect the diverse nature of the City Region Deal programme.

Partnership with Private and Third Sectors

3.4 The voices of the private and third sectors are integral to the city region's governance arrangements. The governance model combines the best of private sector commerciality and expertise with public sector capacity, transparency and accountability. The city region has strong private and third sectors that will underpin the city regional governance arrangements. Harnessing their understanding of regional strengths and opportunities is critical to the city region's success. The business and third sector voices will help to realise the partners' ambitions to develop a bespoke regional economic plan to create an environment for economic growth and to tackle barriers to efficiency and inclusive growth.

Community Engagement

- 3.5 Throughout the process, engagement will take place with communities on projects and programmes. This will occur through the existing statutory and informal community engagement structures, such as community planning, planning consultations and local authority budget engagement processes.

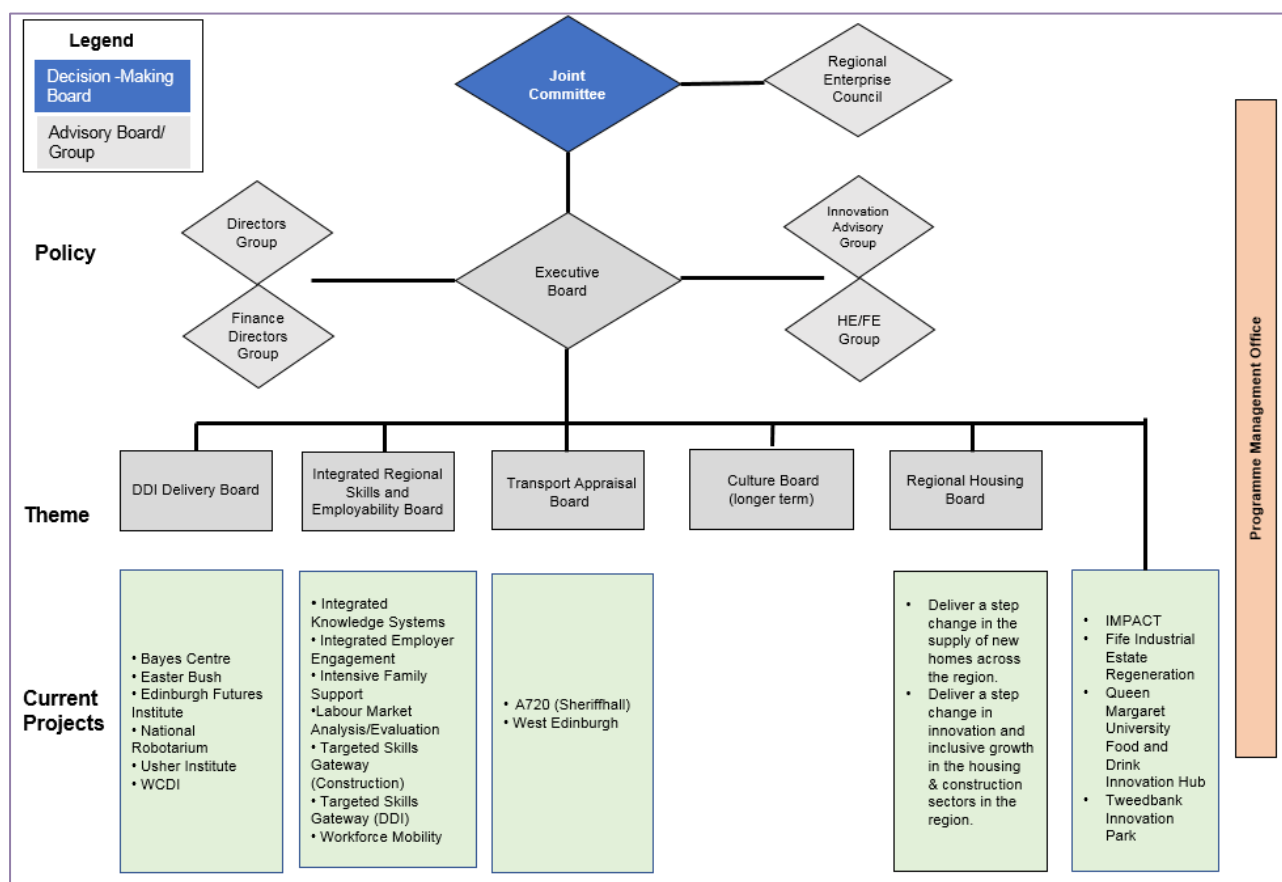
Working with Government/Agencies to Deliver a Strong Regional Partnership

- 3.6 From the outset of the City Region Deal process, partners have taken a holistic approach to the development of the city region's economy, by focusing on investment in projects that support a step change in the performance of the city region, and that spread the benefits of growth more evenly within and across the communities in the city region. This collaboration builds on and helps to deliver the statutory regional governance in transport and land use.
- 3.7 Through the City Region Deal, the Scottish and UK Governments and regional partners embark on a new relationship. The first phase is underpinned by the activities set out in the City Region Deal. However, future phases will involve regional partners continuing to work together on exploring opportunities for transferring further powers, policy resources and levers while also strengthening the city region's governance and capacity to deliver and to meet the clear policy expectations set out in the Scottish Government's Enterprise and Skills Review. Regional partners agree that ensuring sufficient scale and quality of governance to manage financial and policy risks will be key to effective regional devolution. The governance arrangements will operate in a way that best delivers inclusive growth and accountability, underpinned by participation of the city region's key private, public and third sector interests.

Governance Structure

- 3.8 A summary diagram of the City Region Deal governance structure is shown in Figure 1. It comprises the Joint Committee, Advisory Boards/Groups, Thematic Advisory Boards and Project Groups. The Advisory Groups will support the work of the Executive Board. The Thematic Advisory Boards will report to the Executive Board and make recommendations for decision by the Joint Committee. The Annex summarises the Terms of Reference for the Joint Committee, Advisory Boards/Groups and Thematic Advisory Boards. Terms of Reference for project groups sit within the Management Case of each Business Case. The structure will be reviewed to determine its continuing relevance by the Edinburgh Joint Committee on an annual basis as part of the Annual Report (see section 3.21).

Figure 2: Edinburgh and South-East Scotland City Region Deal Governance Structure



Standing Orders, Delegated Authority and Terms of Reference

- 3.9 Standing Orders will be agreed by the Joint Committee and will include details on the nature and extent of delegated authority. The Terms of Reference for the Joint Committee, Advisory Boards/Groups and Thematic Advisory Boards are summarised in the Annex. They provide for appropriate government/agency engagement and representation. Each group will have the ability to co-opt additional members if required.
- 3.10 Project Groups and Delivery teams sit beneath the Thematic Advisory Boards. Each project team will have its own terms of reference, and a core of full time members of staff, supplemented by PMO resources where required. The Terms of Reference for Project Groups can be found within the Management Case of the business cases. Best practice project management processes will be adopted throughout.

Resourcing

- 3.11 Each Advisory Board/Group, Thematic Advisory Board and Project Group will be responsible for its own administration. Initially, the PMO will be responsible for the administration of the Joint Committee, Regional Enterprise Council, Executive Board and Directors Groups. The PMO will be reviewed by the Executive Board quarterly as part of risk reporting, to ensure that it is suitably resourced to meet the demands of delivering the Deal for the forthcoming period.

Decision-Making/Change Process

- 3.12 The city regional partners are committed to putting in place robust decision-making and financial management processes to ensure that public money is being spent responsibly and is accounted for. All decisions will be publicly available.
- 3.13 It is recognised that the Joint Committee's powers and duties relate to activities set out in the City Region Deal. Each constituent partner's decision-making in relation to its own financial commitments are not subject to Joint Committee approval. The Joint Committee does however have a monitoring and assurance role with respect to City Region Deal funding to ensure that it is spent in line with the City Region Deal objectives.

Consensus

- 3.14 Each Thematic Advisory Board will have its own respective arrangements for achieving consensus. The Joint Committee will be the ultimate decision-making body for all City Region Deal activity.

Change

- 3.15 Major change decisions will be escalated from project level to thematic board level, or, when required, to the Executive Board for discussion. Recommendations will then be presented to the Joint Committee for decision. Examples of major changes may relate to cost, scope and time, for example:
- project/parts of project costs rise significantly (beyond acceptable tolerances as detailed through standing orders) since business case approval, and partners are unable to meet the funding gap;
 - there is project underspend, leaving an opportunity to enhance the scope or consider new projects;
 - project is no longer considered viable or value for money since business case approval; or
 - external factors trigger changes in the investment priorities for the city region.

Role of Members/Accountability

- 3.16 Irrespective of their background or geography, it is the duty of all Board members to act in the best interests of the Edinburgh and South-East of Scotland City Region. All private and third sector members will be required to act in the best interests of the City Region Deal, foregoing any interest (if any) their own organisation may have in the City Region Deal and related projects.
- 3.17 All members are expected to comply with the code of conducts of their respective organisations and the values and aspirations of the city regional partnership.
- 3.18 Government representatives will attend in observer/advisory capacity and are not bound by the requirements of the Board's Members. Transport Scotland will sit on the Transport Advisory Board as a full member.

The Business Case Journey

3.19 Projects will be identified and implemented through a four-stage journey as shown in the box:

Stage 1 – Strategic Business Case

Once a need for change is identified, a conceptual business case is developed at thematic board level. This will be shared with Government, relevant agencies, the Regional Enterprise Council and relevant Advisory Boards/Groups. The Executive Board will be consulted, and the Joint Committee informed.

Stage 2 – Outline Business Case

Should the project plan be approved by the thematic board, an outline business case will be prepared with input from Government, which the thematic board will recommend to the Executive Board for approval.

Stage 3 – Full Business Case

Should the outline business case be considered viable, it will be expanded to a full business case for the thematic board and executive board to recommend to the Joint Committee for approval.

Stage 4 – Implementation, Review and Evaluation

Should the full business case be approved by the Joint Committee, formal Government approval will be sought to allow City Region Deal funds to flow to the project for its implementation. The project will then be subject to review and evaluation as is the case in all projects.

Accountability

Accountable Body

- 3.20 The City of Edinburgh Council will act as the Accountable Body for City Region Deal finances. All grant funding from Government, will be channelled through the City of Edinburgh Council, with the exception of the Sheriffhall roundabout project.
- 3.21 Governance and accountability for the Winchburgh risk sharing guarantee will be in accordance with the tripartite agreement being progressed by the Scottish Government, West Lothian Council and the lead developer at Winchburgh.
- 3.22 As the Accountable Body, the City of Edinburgh Council will have the authority to hold others to account should projects present a risk to the overall programme. A grant offer letter signed between the Scottish Government and the Accountable Body will set out required terms and provisions to ensure funding is applied as expected. These terms and provisions will also be replicated in separate agreements between the Accountable Body and regional partners with any additional specific requirements necessary for the City of Edinburgh Council to fulfil its role as the Accountable Body, clearly set out. The broad terms of the deal are also set out in the Financial Agreement between the UK and Scottish Governments and the Accountable Body.

Progress Reporting, Risk and Audit

- 3.23 To assess progress against the milestones set out in relevant business cases, each Thematic Advisory Board will produce a quarterly Risk and Performance Monitoring Report. Where risks are identified, change recommendations will be made. An overall Programme Risk Register and Performance Monitoring Report will also be considered by the Executive Board and Joint Committee every quarter. The template for these reports will be agreed with the Governments in advance. The reports will be presented to the Governments and the Regional Enterprise Council quarterly.
- 3.24 To assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region, the PMO will produce an Annual Report on all City Region Deal activity. The template for the Annual Report will be agreed with Government. The reports will be presented to the Governments and the Regional Enterprise Council annually.
- 3.25 Measures will be taken to ensure scrutiny, and effective consultation with the business community, third sector and general public. The Regional Enterprise Council and Joint Committee will develop these measures in partnership with Government. Options may include: an annual conference/seminar(s) tackling a key priority in the city region; an annual online consultation with key stakeholders in the city region and/or the general public; regular “roadshow” consultations on key upcoming projects across the city region (linking in with the planning process).
- 3.26 Every five years, an independent evaluation of the City Region Deal will be undertaken to capture progress and identify priorities for the next phase of delivery. The Governments will work with the Joint Committee to set the terms of the evaluation and consider its recommendations. Both Governments reserve the right to halt funding in the event that outcomes and targets are not being met.
- 3.27 Given the size of the investment and the significance of it to the overall Deal, Governments and partners agree to undertake an 18-month review checkpoint with respect to the DDI programme. The objectives and format for the review will be agreed by Governments and partners and set out within the overall DDI programme business case.

Annex: Summaries of Terms of References

This section summarises the Terms of Reference for the Joint Committee, Advisory Boards/Groups and Thematic Advisory Boards within the governance structure. At project level, other groups exist, which may have their own Terms of Reference. These can be found within the Management Case of project business cases, and are not included in this paper.

1 Edinburgh and South-East Scotland City Region Joint Committee

Membership

The Joint Committee will comprise:

- Leaders from the six local authorities
- University/college sector representative;
- Business sector representative;
- Third sector representative.
- Programme Management Office (observer/secretariat).

The Chair and Vice Chair will rotate annually.

Purpose

The purpose of the Joint Committee will be:

- To oversee the implementation of the Edinburgh and South-East Scotland City Region Deal programme, and ensuring that it is aligned towards driving innovation and achieving its inclusive growth ambitions.
- To monitor the impact of the City Region Deal Programme.
- To build and support inclusive growth focusing on the needs of the city region and strengthening the partnership between public, private and third sectors;
- To improve business involvement from the city region in regional decision making;
- To collaborate and work in partnership to assist in delivering regional planning and transport policy linking the City Region Deal to SEStran and SESplan; and
- To work in partnership on other initiatives across the city region with the explicit support of individual constituent members.

Meeting Schedule

The group will meet at least quarterly.

Current Status and Implementation

The Joint Committee will be formed following the approval of Deal Documentation, including the Governance Framework in June 2018.

2 Advisory Boards/Groups

Regional Enterprise Council

Purpose

The overarching purpose of the group is to provide the voice of the business and third sector to guide the implementation of the Deal. While the projects and financial arrangements have already been agreed in the Heads of Terms and City Region Deal Document, this group will support the other city region deal partners (local authorities, universities/colleges and government/public sector agencies), towards a shared ambition for achieving sustainable and inclusive economic growth for the city region. It will do this in the following ways:

- use its commercial knowledge and expertise to influence the Joint Committee and Executive Board in making spend and investment decisions that maximise benefits for the city region's economy and its people;
- engage with wider business and third sector networks across the city region to ensure that a wide range of views are captured; and
- champion the City Region Deal nationally and internationally to encourage further investment opportunities.

Principles

- The group will augment, and build on, existing business forums or similar structures without superseding them. It will be the recognised regional enterprise forum with a formal role within the City Region Deal.
- Members will be appointed to the group based on their expertise and knowledge of the city region and its commercial and third sector, rather than the organisations which they represent. Individuals will be required to act in the best interests of the City Region Deal community, foregoing any interest their own organisation (if any) may have in the City Region Deal and related projects.
- Members will be responsible for ensuring that views of existing business and third sector networks are captured, and that there is no duplication between the group's activity and these networks. These responsibilities will be mapped when the group is appointed.

Governance and Decision Making

The group will not have direct decision-making power, but will make recommendations to the Joint Committee, which will be the ultimate decision-making body for City Region Deal activity. The group may also advise Advisory Boards/Groups and Thematic Advisory Boards. To cater for this, the Chair and Vice Chair of the group will sit on the Joint Committee, and the IRES Board chair will also sit on the REC.

Membership

Size and Composition

The group will comprise approximately 12 individuals.

In determining membership of the group from applications received, the Joint Committee will seek to ensure an appropriate balance of membership, in terms of:

- **Geography:** each of the six local authorities in the city region will be represented by at least one business or third sector organisation with significant operations in their area.
- **Sector:** Organisations that operate in key industry areas that are relevant to the city region's economy will be represented.
- **Size:** Small, medium and large organisations will all be represented.
- **Gender, ethnicity and age** of business and third sector leaders.
- **Organisation type:** Individuals from the private and third sectors will be represented in accordance with the mix of enterprise types across the city region.

There will also be City Region Deal PMO, government/agency and higher/further education representation, to ensure links with the wider governance structure (see Figure 1). Support will be provided by the City Region Deal PMO.

The following structure is recommended, but the mix of members is subject to change depending on the nature of applications received:

Organisation	Board Members
Chair	1
Business representatives (4 SMEs and 2 large) <ul style="list-style-type: none"> ○ 1 Finance/Fintech ○ 1 Creative Industries ○ 1 Construction/Housing ○ 1 Food/Drink ○ 1 Manufacturing ○ 1 Tourism 	6
Third Sector representatives: <ul style="list-style-type: none"> ○ 1 Social Enterprise ○ 1 Voluntary Organisation 	2
Higher/further education representative	1
Integrated Regional Employability and Skills (IRES) Board Chair	1
Skills Development Scotland	1
Scottish Enterprise	1
Programme Management Office (Observer)	1

Recruitment Process and Appointment of Chair

From summer 2018, the group will be recruited via an application process open to all businesses and third sector organisations from across the city region. The Joint Committee will approve the membership, chair and vice chair of the REC, which will be recommended through engagement with key industry bodies and regional employers. The chair and vice chair will be appointed from the business and third sectors, and these individuals will also sit on the Joint Committee.

It is important that the Chair is a high profile, credible and influential individual, who reflects the key components of the Deal and ambitions for the Edinburgh and South-East Scotland city region. It is recommended that the Chair be additional to the six business and two third sector representatives. The Vice-Chair should be drawn from the relevant business or third sector cohort dependent upon which field of enterprise the Chair is drawn from.

The first REC meeting is expected to take place in late 2018.

Wider Business/Third Sector Engagement

To ensure that views from across the city region's business and third sector community are captured, a wider grouping will also be developed. Members of existing business or third sector forums which operate across the city region will be invited to join the wider group. They will be encouraged to participate in consultations when required and will be kept up to date on the REC activity by email. Regular seminars on City Region Deal activity are also proposed.

Meeting Schedule

It is suggested that group will initially meet quarterly and the wider grouping meets bi-annually.

Current Status and Implementation

The group will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

Edinburgh and South-East Scotland City Region Deal Executive Board

Membership

The Executive Board comprises:

- Six regional local authority chief executives;
- a representative for the city region's universities and colleges;
- six regional local authority directors with a remit for the economy (observers)
- City Region Deal Programme Management Office function (observers).
- Government colleagues will be invited to attend meetings on a quarterly basis as observers.

The Chair and Vice Chair will rotate annually, and will be aligned to the Chair and Vice Chair of the Joint Committee by geography.

Purpose

The Executive Board supports and make recommendations for the Joint Committee in the delivery of the City Region Deal Programme. It also oversees the activity of the PMO and Directors' Group and engages with the Scottish City Region Deal Delivery Board for performance monitoring as appropriate.

The purpose of the Executive Board is to:

- Support the Joint Committee in overseeing the delivery of the City Region Deal and ensuring that it is aligned towards achieving its inclusive growth ambitions;
- Engage in dialogue with Government and respond to policy, proposals and opportunities to bid for funding in support of economic growth;
- Engage with investors, businesses and advisors to secure growth opportunities;
- Develop and consult on regional economic policy, programmes and interventions designed to maximise growth in the city region;
- Provide leadership in key themes and priorities to promote sustainable economic growth;
- Lead on communications and stakeholder engagement to raise the profile, image, reputation and influence of the city region at a regional, national and international levels.

Meeting Schedule

The group will meet monthly.

Current Status and Implementation

The Board is constituted and meets monthly.

Edinburgh and South-East Scotland City Region Deal Directors' Group

Membership

Membership comprises:

- Six regional local authority Directors with a remit for the economy;
- One representative for the city region's universities and colleges;
- Five thematic leads;
- The finance director of the Accountable Body (The City of Edinburgh Council) will have a standing invitation as an ex-officio member; and
- Programme Management Office function

Purpose

The Directors' Group supports the Executive Board in the delivery of the City Region Deal Programme. It oversees cross-regional strategic activities outlined in the Heads of Terms, many of which are led by groups at programme level. Priority areas currently include: the city regional Housing Programme; the Integrated Regional Employability and Skills (IRES) programme; cross-regional transport projects; and the revision of existing cross-regional governance structures across Transport, Planning, Housing and Economic Development to align with the City Region Deal. It also acts as a sounding board and provides feedback for activity that the PMO is undertaking.

The purpose of the Directors' Group is to:

- support the Executive Board in the delivery of the City Region Deal and ensuring that it is aligned towards achieving its inclusive growth ambitions;
- capture and communicate business requirements for changes to, and development of economic policy and commission associated appropriate interventions;
- work collaboratively with all partners, including local authorities to address barriers to inclusive economic growth and drive efficiency;
- bring together intelligence and expertise to identify priorities and develop solutions to maximise private sector investment in the City Region and secure sustainable and inclusive growth; and
- work to create an environment to support business growth ensuring appropriate mechanisms exist through which, as a co-ordinated voice, the private sector can inform and influence the shape and future direction of local, regional and national government policy.

The Chair and Vice Chair will rotate annually, and will be aligned with the Chair and the Vice Chair of the Joint Committee and Executive Board by geography.

Meeting Schedule

The group meets monthly, usually in the alternate fortnight from the Executive Board.

Current Status and Implementation

The group has been constituted and will evolve according to demands of the City Region Deal programme.

Edinburgh and South-East Scotland City Region Deal Finance Directors' Group

Membership

The group will comprise:

- Financial Directors of any organisations who are beneficiaries of City Region Deal funding; and
- Programme Management Office function.

It will be chaired by the Finance Director of the Accountable Body (The City of Edinburgh Council).

Purpose

The group will:

- support the Executive Board and Joint Committee in overseeing the City Region Deal's finances;
- ensure that the City Region Deal monies are spent as set out in the agreed Financial Plan;
- ensure that financial risk, audit and assurance are carried out effectively throughout the process;
- ensure compliance with current financial regulations and accountancy best practice; and
- consider quarterly financial reports, and escalate any risks to the Executive Board.

Meeting Schedule

The group will meet quarterly to align with funding flows from Government, and quarterly reporting.

Current Status and Implementation

The group will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

Edinburgh and South-East Scotland Innovation Advisory Group

Membership

The Group will include representation from:

- Regional local authorities
- Regional HE / FE institutions
- Relevant government agencies – UK Research and Innovation and Scottish Enterprise
- Business community
- Third sector UK Government
- Scottish Government (observers)
- UK Government (observers)
- City Region Deal Programme Management Office function (observers)

Purpose

To identify opportunities to deliver innovation across the City Region Deal programmes and projects, making linkages with other groups as appropriate and providing advice and recommendations to the Executive Board as appropriate. To look to maximise the exploitation of wider innovation opportunities aligned to the development of a regional economic strategy.

NB: The role of the Innovation Advisory Board would not extend to allocation of existing City Region Deal resources or oversight of City Region Deal funded projects.

The group's remit will be:

- To advise on regional innovation priorities and the further development of a regional innovation ecosystem
- To identify partnership working opportunities beyond the City Region Deal
- To seek alignment of national resources behind regional innovation priorities
- To co-ordinate innovation activity across the city region
- To engage on a regional, national and global level with businesses and agencies able to help to achieve ambitions of inclusive growth through innovation

Meeting Schedule

To be confirmed.

Current Status and Implementation

The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

Edinburgh and South-East Scotland City Region Higher/Further Education Group

Membership

One representative from the following regional universities and colleges attends (nominated by their respective principal):

- Borders College
- Edinburgh College
- Edinburgh Napier University
- Fife College
- Heriot Watt University
- Newbattle Abbey College
- Queen Margaret University
- University of Edinburgh
- West Lothian College
- Scotland's Rural College (SRUC)
- City Region Deal Programme Office function (observers)

Secretariat support is provided by the University of Edinburgh.

Purpose

The group's purpose is to:

- provide a formal mechanism for the engagement of universities and colleges in Edinburgh and South-East Scotland in the governance arrangements of the City Region Deal;
- contribute to the development of the business cases and, following their approval, the delivery of commitments around innovation and skills in the City Region Deal; and
- pursue other areas of shared interest

Meeting Schedule

The group meets quarterly.

Current Status and Implementation

The group has been formally constituted and will evolve according to demands of the City Region Deal programme.

3 Thematic Advisory Boards

Edinburgh and South-East Scotland Data-Driven Innovation (DDI) Delivery Board

Membership

Representatives on this group are likely to include:

- Senior Responsible Officer for DDI Programme
- DDI Programme Director
- Academic Director
- Entrepreneurial Director
- Representatives from University of Edinburgh Colleges
- Representative from Heriot-Watt University
- Industry representatives
- UK Government (observer)
- Scottish Government (observer)
- City Region Deal PMO (observer)

Purpose

The group's purpose will be to maintain oversight of the integrated DDI Programme, and its remit will include:

- Project prioritisation and resourcing
- Leading and maximising the collaboration with City Region Deal partners
- Development and curation of external partnerships with industry, public bodies and academia
- Reporting on DDI Activities to funders and key stakeholders

Meeting Schedule

The group will initially meet monthly. This will be reviewed as required.

Current Status and Implementation

The group is being constituted and will evolve according to demands of the City Region Deal programme.

Edinburgh and South-East Scotland City Region Integrated Regional Employability and Skills (IRES) Board

Membership

It is proposed that the IRES Board membership will consist of 18 individuals nominated by the organisations or groups listed below to support the delivery of the IRES Programme and other activity remitted to it.

This organisation (group) list may be adjusted at any time by the Executive Board and any changes to designated nominees must be made in writing to the chair, who will maintain a list of current board nominees.

Organisation or Stakeholder Group	Board Members
Chair of the Board (nominated by Executive Board)	1
One representative from each Local Authority Partner (also provides a link to the School Improvement Collaboratives)	6
Scottish Government, Fair Work Directorate	1
Scottish Funding Council	1
Department for Work and Pensions	1
Skills Development Scotland	1
NHS representative	1
Developing the Young Workforce (nominated by the 4 DYW Regional Boards)	1
Higher Education Universities (nominated by HE/FE Roundtable)	1
Further Education Colleges (nominated by HE/FE Roundtable)	1
Business Representation (nomination by Business Leadership Council)	1
Third Sector Representation (nominated by Third sector Interface Group)	1
Lay member (selected for their knowledge and expertise in this area)	1

The Board Chair will be nominated by the Executive Board and the Vice Chair will be drawn from the IRES board members. It is expected that each nominated member will have the ability (within the relevant legal, CRD or organisational governance obligations) to commit their organisation to collective decisions.

Each member of the IRES Board has equal status and the principle of “one member-one vote” (made in person at the meeting) will apply. Whilst the IRES Board will endeavour to work through issues and differing points of view to achieve a consensus on any recommendations, where this is not immediately possible, option exists to either continue discussion at a future Board meeting or escalate to the Executive Board to resolve before presenting to the joint committee for final approval.

To be quorate at least nine IRES Board members must be present at the meeting and members will declare any pecuniary or non-pecuniary interest they may have on the agenda items being considered.

The support and secretariat to the board will be provided by the PMO and will have officers in attendance, but only in an advisory and support (non-voting) capacity.

Purpose

The IRES Board will provide recommendations to the Joint Committee on strategic and operational decisions relating to the City Region Deal IRES Programme.

It is proposed that responsibilities of the board will include:

Collaboration

- Stimulating active collaborations across stakeholders in delivering regional ambitions (as set out in the Deal) and wider opportunities for improvement.
- Working with stakeholders to align and integrate activity across organisations with the aim of delivering better value for money and/or more inclusive outcomes.
- Making recommendations to the Joint Committee or Executive Board, as detailed in the Joint Committee Standing Orders, on matters relating to the evolution and delivery of the IRES programme.

Evidence and Knowledge led

- Adopting and supporting the development of the City Regional Skills Investment Plan (RSIP) and other relevant plans as the solid foundation for the IRES programme.
- Instigating collaborative reports (or research) on Economic Performance and Productivity, Labour Market Access, Fair Work, People, and Place to support good decision making.
- Agreeing programme (project) assessment, monitoring and evaluation methodologies that ensure value for money and effectively capture; progress, impact and good practice.

Additionality and Value for Money

- Developing and updating the delivery plan for the implementation of the IRES programme consistent with the RSIP and other relevant plans.
- Developing and refining a methodology and criteria for evaluating specific investment proposals submitted for consideration by IRES Board to ensure that the value for money and additionality of proposals are clearly articulated.
- Monitoring the outcomes being achieved by each component part of the programme and any associated income or expenditure.
- Exploiting opportunities to bring additional resources into the programme that boost the inclusive growth outcomes achieved and/or increase the value for money of activities.

Accountability and Communications

- Reporting to the Joint Committee, Executive, Governments and other partners, as required, on the progress made, outcomes achieved, and expenditure committed
- Annually reviewing expenditure and outcomes to inform recommendations on continuing or future investments.

- Championing any policy learning or best practice identified by the partnership to encourage greater stakeholder buy-in and the wider application/mainstreaming of effective approaches.

The Board will be the recognised regional forum for collaboration on Employability and Skills matters within the City Region Area. It will augment and build upon existing structures without superseding them, unless by agreement with relevant partners or recognised groups, and its responsibilities can be amended at any time by the Joint Committee, Executive Board, or by IRES Board with agreement of the Executive Board or Joint Committee, as appropriate.

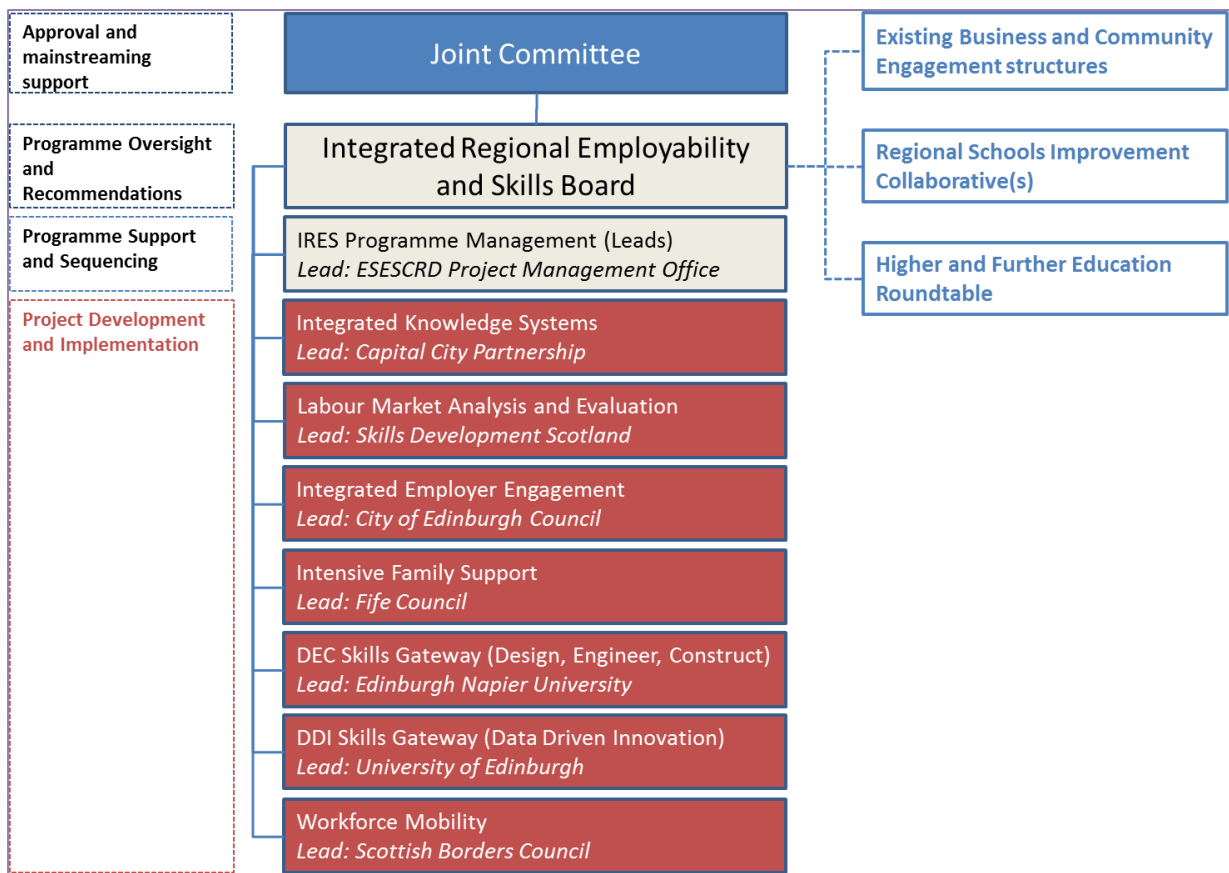
It can draw upon expert advisors, City Region Deal resources, or create working groups to take forward the IRES programme and the fulfilment of its responsibilities.

IRES Working Groups

To support the board and aid programme development, the following multi-partner working group structure has been established.

It is anticipated this structure will evolve as required by the board and the needs of the programme, or to support the wider City Region Deal programme.

Group membership will be tailored to the work being undertaken, drawing from partners or external expertise as necessary.



Meeting Schedule

It is anticipated that the board will meet on a regular basis in step with the wider schedule of City Region Deal governance meetings.

Current Status and Implementation

The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

Edinburgh and South-East Scotland Regional Transport Appraisal Board (TAB)

Membership

The Transport Appraisal Group will comprise:

- SESTran
- Representatives from the six local authorities in the City Region Deal
- Transport Scotland
- City Region Deal PMO (observer)

Purpose

To make recommendations to the Joint Committee on the approach towards delivering the transport elements of the City Region Deal Investment Programme through the consistent adoption of best practice from the Scottish Transport Appraisal Guidance and the Treasury Green Book, as appropriate. Although the Transport theme covers only two projects (A720 and West Edinburgh) the Board will also consider transport elements of other City Region Deal projects, particularly in the Housing and Innovation themes.

The TAB will build on existing best practice and consider the most relevant technical approaches including modelling tools.

The TAB will also:

- Consider the strategic rationale, demand/need, objectives, evidence, costings and delivery programme and mechanisms for projects, their relationship and phasing in the overall programme, including cumulative impact.
- Consider approaches to the use of the proposed city region data store to establish a shared evidence base.
- Establish the evidence base and options for future investment in the city region's strategic transport infrastructure programme.
- Consider access to funds and budgets,
- Provide input as a region into other projects as appropriate; such as, the National Transport Strategy and Strategic Transport Project Review 2.

Meeting Schedule

To be confirmed.

Current Status and Implementation

Discussions on the Terms of Reference for this group are ongoing between partners, Government and Transport Scotland, so are subject to change. The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

IMPACT Scotland Board

Membership

Membership will comprise representation from:

- The City of Edinburgh Council (Culture service)
- The City of Edinburgh Council (Property/construction expertise)
- City Region Deal PMO (officer and communications)
- IMPACT Scotland
- Scottish Chamber Orchestra
- Scottish Government
- UK Government
- Other City Region local authorities may nominate a representative if desired

Purpose

- The group will initially monitor the progress of the IMPACT Scotland capital development and will ensure that the project is delivered according to the business following sign off of the City Region Deal.
- As the Scottish Culture Strategy is developed, the group's remit may evolve into a Board whose remit will be to expand to review the focus for collaboration across the city region.
- A sub-group will be formed to oversee the cultural planning for music throughout the city region to ensure that music provision is delivered to reach existing and new audiences across all musical genres.

Meeting Schedule

The group will initially meet every ten weeks. This will be reviewed as the project requires.

Current Status and Implementation

The group will be formed following Joint Committee ratification of the Governance Framework and the signing of the Deal.

Edinburgh and South-East Scotland City Region Housing Board

Membership

Representatives from the following organisations will be represented:

- The City of Edinburgh Council
- East Lothian Council
- Fife Council
- Midlothian Council
- Scottish Borders Council
- West Lothian Council
- Edinburgh Napier University
- University of Edinburgh
- Scottish Enterprise
- Construction Scotland Innovation Centre
- Scottish Government Housing (observer)
- City Region Deal PMO (observer)

Purpose

The city regional Housing Board will provide robust governance and strategic oversight over the city regional housing programme, progress the statements outlined in the Heads of Terms Agreement and ensure the effective delivery of the City Region Deal projects.

At project level, the city regional Housing Partnership, made up of senior regional housing partners, will report to the Board manage and deliver the programme.

The city regional Housing Partnership aims to deliver the city regional housing programme and accelerate the delivery of affordable and low-cost market homes, enable the development of the seven major strategic housing sites, drive efficiencies across the public sector estate and increase housing land supply.

The Board will oversee and provide recommendations to the Joint Committee in relation to the delivery of the following key outcomes:

- Accelerated delivery of seven strategic housing sites with capacity for over 40,000 homes
- Housing infrastructure delivery and funding solutions
- Land to develop a robust affordable housing pipeline
- An affordable housing programme (with a commitment to maximise certainty over future public funding levels for the regional housing programme)
- A pipeline of mid-market rent and low cost market rent homes
- Accelerated delivery through innovation and supporting regional SME growth
- Jobs, learning and progression opportunities, meeting current and future industry skills requirements
- Support the development of a consistent all partner approach to community benefits

- Strengthened relationship between public, private, and third sector stakeholders

Meeting Schedule

This group will meet bi-monthly.

Current Status and Implementation

The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

Programme Management Office (PMO)

Membership

The PMO currently comprises a full-time project manager, project officer and administrative support (being recruited), funded equally from the local authority partners. Support is also offered from the lead officers responsible for the skills, innovation and housing programmes.

Remit

The PMO will be responsible for:

- Providing secretariat for Joint Committee, Executive group and Regional Enterprise Council, supporting members and building competence;
- Providing direction of programmes, projects and initiatives to ensure they meet the overarching vision, strategy and objectives of the City Region Deal, as defined and agreed by the Joint Committee and Executive Board; including delivery of the programme and deal level outputs and outcomes; the twin ambitions of innovation and Inclusive Growth;
- Taking a day-to-day lead of engaging with both governments providing a focal point for the Deal;
- Coordinating and delivering documents required by Government, including Green Book-compliant business cases.
- Managing the Communications subgroup, and overseeing the Deal's Communication's Strategy
- Reporting on risk, assurance and accountability across the Deal and auditing the delivery boards and groups' progress towards delivering projects as set out in business cases.

Current Status and Implementation

The group is constituted and will evolve according to demands of the City Region Deal programme.



FINANCIAL AGREEMENT

July 2018

ACCELERATING
GROWTH

EDINBURGH AND SOUTH EAST SCOTLAND
CITY REGION DEAL

Edinburgh and South-East Scotland Financial Agreement

Financial Agreement

1. This Financial Agreement underpins the City Region Deal agreed for Edinburgh and South-East Scotland. It forms part of the overall deal documentation and should be read in context with all other corresponding deal information. The partners involved in the deal are the UK Government, the Scottish Government, and the City of Edinburgh Council as Accountable Body, which provides the link for all other regional partners involved in the deal. The other regional partners comprise: East Lothian Council, Fife Council, Midlothian Council, Scottish Borders Council, West Lothian Council, Heriot-Watt University, Queen Margaret University, and the University of Edinburgh.
2. The UK Government's financial contribution will be up to a maximum of £300m and the Scottish Government's financial contribution will also be up to a maximum of £300m – these figures were set out in the agreed Heads of Terms. The profile of payments over the fifteen-year timeline of the deal is set out in table 1. Regional Partners will contribute up to a maximum of £730m – This is an increase of £229m from the original sum of £501m set out in the agreed Heads of Terms. The profile of regional partner funding over the fifteen-year timeline of the deal is set out in table 2. The detail and funding profile for each project can be referred to in the Edinburgh and South-East Scotland City Region Deal Financial Plan.
3. The delivery timeline of capital and revenue investment in the Edinburgh and South-East Scotland City Region Deal is over a fifteen-year period. The funding commitment from both the UK and Scottish Government's will be disbursed over the agreed funding profile set out in table 1 and this also covers a fifteen-year period however, during the lifetime of the deal the lead authority with the agreement of both governments may review the profiling ensuring that it still meets the overarching commitments outlined in the deal of total investment by both governments of £600 million.
4. Government and Regional Partner funding will be used to deliver on project outcomes as detailed in each approved project specific Business Case. The success of each project will be measured by specific key milestones which are also set out in the project business cases. A summary of all projects can also be referred to in the Edinburgh and South-East Scotland City Regional Deal Implementation Plan.

APPENDIX 2

Managing the financial considerations of the City Region Deal

5. The Edinburgh and South-East Scotland City Region Deal Documentation sets out the comprehensive arrangements for managing the City Region Deal including; the purpose of the deal and an inclusive growth and governance framework, implementation plan setting out the range and detail of projects being undertaken, a financial plan setting out project delivery timelines and costs, and the commitment of funding from both the UK and Scottish Governments and Regional Partners. Disbursement of government grant monies will be the subject of a grant offer and acceptance procedure including an annual statement. The investment of the UK Government up to £300m and the investment of the Scottish Government up to £300m, will be the maximum available funding to support City Region Deal projects over the fifteen-year timeline and will not increase relative to the cost of inflation for the delivery of infrastructure projects.
6. The total UK and Scottish Government City Region Deal grant funding will be directed entirely through the Scottish Government. Grant payments will then be channelled through the City of Edinburgh Council, who will coordinate all financial aspects of the City Region Deal through its role as the Accountable Body. The only exception to this arrangement is the funding specifically allocated for the Sheriffhall Roundabout improvements which will be managed and delivered by Transport Scotland. However, the delivery and finances of the project will still require to be submitted to the Accountable Body and reported as part of the total City Region Deal.
7. The UK and Scottish Government funding will be paid to the City of Edinburgh Council quarterly in arrears - unless otherwise agreed with government, and will be supported by grant claims and evidence based expenditure collated from regional partners.
8. It is noted that the re-phasing of the grant profile has resulted in a mismatch in yearly grant income against expenditure. To recognise University partner upfront capital contributions, future expenditure claims can be supported by the cumulative expenditure on a project to the claim date, provided the total amount claimed and the phasing matches the agreed profile.
9. Transport Scotland will fund up to £120m for the A720 City Bypass grade separation of Sheriffhall Roundabout. Transport Scotland will be solely responsible for delivering this project
10. Transport Scotland will also provide funding of at least £20m to support public and active travel improvements to West Edinburgh. This project will be delivered as part of a collaboration between Transport Scotland, the City of Edinburgh Council, and West Lothian Council.

APPENDIX 2

Summary of agreements

11. There will be no accrual of central government grant.

UK Government (HM Treasury)

12. The Scottish Government's Capital Departmental Expenditure Limit (the capital block grant) from the Treasury will be increased to reflect the UK Government funding allocations to the Edinburgh and South-East Scotland City Region Deal in the appropriate years. The annual amounts of UK government grant are set out in Annex A.

Scottish Government

13. Additional Capital Departmental Expenditure Limit (CDEL) budget allocated by the Scottish Government for the Edinburgh and South-East Scotland City Region Deal must be paid to the deal.

14. The additional CDEL budget allocations from the UK Government ringfenced for the Edinburgh and South-East Scotland City Region Deal must be paid to the deal by the Scottish Government as capital grant.

.....

Head of Scotland and Wales branch, HM Treasury

Date:

Signed on behalf of the UK Government

.....

Director of Financial Strategy

Date:

Signed on behalf of the Scottish Government

.....

Chief Executive Officer

Date:

Signed on behalf of the City of Edinburgh Council and Regional Partners

APPENDIX 2

Annex

Table 1 – City Region Deal - Government Funding *

Year	UK Government £000	Scottish Government £000	Total Grant £000
2018-19	35,000	7,738	42,738
2019-20	35,000	33,557	68,557
2020-21	35,000	31,714	66,714
2021-22	35,000	53,702	88,702
2022-23	35,000	16,287	51,287
2023-24	25,000	10,303	35,303
2024-25	25,000	11,432	36,432
2025-26	25,000	5,485	30,485
2026-27	25,000	4,554	29,554
2027-28	15,400	2,738	18,138
2028-29	9,600	739	10,339
2029-30	0	500	500
2030-31	0	500	500
2031-32	0	750	750
Total	300,000	180,000	480,000

**The £120m commitment to Sheriffhall is additional to the above figures.*

Table 2 – City Region Deal – The City of Edinburgh Council and Regional Partner Funding

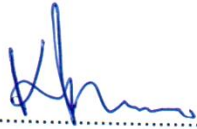
Year	Regional Partners £000
2017-18	61,508
2018-19	99,264
2019-20	123,180
2020-21	160,451
2021-22	125,808
2022-23	71,390
2023-24	21,834
2024-25	22,973
2025-26	19,800
2026-27	22,453
2027-28	-6,349
2028-29	4,229
2029-30	499
2030-31	0
2031-32	3,071
Total	730,111

EDINBURGH AND SOUTH EAST SCOTLAND CITY REGION DEAL

Heads of Terms



Our signing of this document confirms our joint commitment to achieve full implementation of the Edinburgh and South East Scotland City Region Deal.



Keith Brown MSP
Cabinet Secretary for Economy, Jobs and Fair
Work
Scottish Government

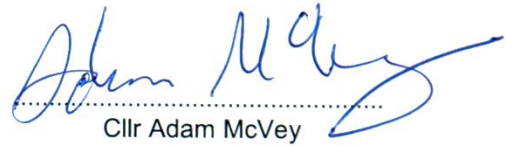


Damian Green MP
First Secretary of State
UK Government



Cllr Willie Innes

Leader of East Lothian Council




Cllr Adam McVey

Leader of The City of Edinburgh Council



Cllr David Alexander

Co-Leader of Fife Council



Cllr David Ross

Co-Leader of Fife Council




Cllr Derek Milligan

Leader of Midlothian Council



Cllr Shona Haslam

Leader of Scottish Borders Council



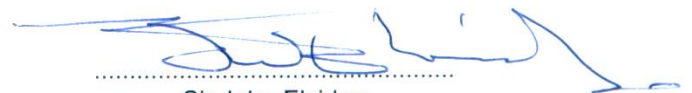
Cllr Kirsteen Sullivan

Depute Leader of West Lothian Council



Prof Charlie Jeffery

Convener, ESES FE&HE Consortium
University of Edinburgh



Sir John Elvidge

Convener, ESES Business Consortium

EXECUTIVE SUMMARY

1. The Edinburgh and South East Scotland City Region comprises the six local authorities of City of Edinburgh, Fife, East Lothian, Midlothian, Scottish Borders and West Lothian. It is one of the most prosperous and productive UK regions and includes Scotland's iconic capital city, recognised worldwide for its culture, history and architecture.
2. The city region has a population of approximately 1.4 million people, more than a quarter of the Scottish population. Regional partners calculate that it contributes over £33 billion per year to the Scottish and UK economies.
3. A key driver for the investment in this deal is the opportunity to address inclusion across the region. Prosperity and success is not universal across the region: 21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skill jobs. The deal will address these issues, create new economic opportunities, and is expected to provide up to 21,000 new jobs. The region's new skills programme, alongside improved transport and housing provision, will ensure that businesses and communities across the region will benefit and will be given the chance to take advantage of these exciting new opportunities.
4. Since Spring 2016, the Scottish and UK Governments have been working with local partners to develop a transformational and inclusive city deal for the region that will:
 - Build on the region's strengths such as its high growth sectors that will provide the jobs of the future, its world class universities that are working with businesses on ground breaking R&D and innovation and Edinburgh's world class cultural offer.
 - Address key economic barriers with significant new investment in housing and transport.
 - Address issues which are constraining the region's economic potential and which match the strategic priorities for growth as outlined in the Scottish Government's Economic Strategy and the UK Government's emerging Industrial Strategy.
5. This heads of terms is a tripartite agreement between the Scottish Government, the UK Government and regional partners. **Both Governments are committed to jointly investing up to £600m over the next 15 years subject to:**
 - approval of final business cases for all projects and programmes;
 - development of a final city deal document and implementation plan;
 - establishment of clear and robust governance arrangements; and
 - the consent of all constituent local authorities and partners.
6. Regional partners have committed to contributing up to £501m to match fund the joint commitment from both governments. Overall this represents a deal worth over £1.1bn of investment.
7. This document represents a heads of terms agreement. Further detail on the implementation of specific commitments will follow in a finalised City Region Deal

document. This heads of terms document has been produced for the purposes of outlining the principles of the deal and does not form a legally binding contract.

THE COMMITMENTS

RESEARCH, DEVELOPMENT, AND INNOVATION PROGRAMME

8. Innovation is the lifeblood of the region's economy. The region is already home to world class research and development activity, much of which acts as an anchor for the development of new products and services through innovation in the private sector.
9. In Edinburgh city centre, approximately 2,400 people are employed in 570 technology led businesses, in close proximity to the University of Edinburgh. Growth has been impressive, with an increase of 58% and 48% in GVA and turnover respectively between 2010-14. Both Governments and local partners recognise the potential to further accelerate the development of key sectors (e.g. data science, robotics, financial services, fintech, agritech, creative and digital sectors) and to ensure the benefits of this growth are spread across the region.
10. As such the UK Government, Scottish Government and local partners have agreed a transformational Research, Development and Innovation programme (RD&I) for the region. This will drive further growth in the above sectors of the city region's economy and will support wider reform and improvement in public service provision.

Key commitments include

11. The UK Government and the Scottish Government will provide up to £350m of capital funding over a fifteen-year period to support the development of:
 - **Data storage and analysis technology that will allow large datasets to be brought together, in a secure environment, from public and private sector organisations.** This data analysis repository will allow the development of new products and services within key sectors. It will be based at the UK's National Supercomputer Centre at Easter Bush and will be connected to a region-wide Internet of Things (IoT) network.
 - **Five RD&I sectoral hubs** that will draw on the data repository and support RD&I activity in key sectors.
 - **The Bayes Centre for data**, a facility adjacent to the existing School of Informatics, which will provide shared working spaces for world-leading applied researchers, students, existing data science institutes and industry to drive data-driven Innovation.
 - **The Quatermile Old Royal Infirmary** will bring together researchers, businesses and key public sector organisations to drive RD&I in financial services, fintech, creative and media technology, tourism and public service provision

- **The Usher Institute** building within Edinburgh’s BioQuarter will house a centre for utilising data at scale to support data-driven health research, medical informatics and population health sciences.
- **The National Robotarium** will be co-located on the Heriot-Watt University campus. It will offer access to leading-edge applied research in autonomous systems, sensor technologies, existing micro-assembly equipment. The Robotarium will also have access to the resources of both Heriot-Watt University and the University of Edinburgh.
- Scaled-up incubation space for bioscience businesses and specialist facilities at **Easter Bush**, delivering alignment with the Roslin Institute’s research excellence in agritech and extensive industry partnerships.
- A **Food and Drink Innovation Campus located at Queen Margaret University** which will enhance and grow the nation’s food and drink sector. This will stimulate economic growth based on both national and international markets.
- **An Edinburgh and South East Scotland programme of investment in economic infrastructure** to ensure that businesses and communities across the region are fully able to engage in the data-driven innovation opportunities, **including industrial and business premises, to ensure maximum impact from the innovation investment.** Local partners and the private sector will invest significant additional funding to deliver key regional economic priorities including new industrial and business premises at Tweedbank, in the Scottish Borders, and across Fife.

12. Complementing the Government investment, the private sector and local partners will invest £52m of capital funding to support the development of the RD&I hubs and a further £201m over a 10-year period, to provide a university-led innovation support programme that will:

- support companies to undertake RD&I activities in the RD&I sectoral hubs;
- support research and commercialisation of new products and services;
- create and deliver new Higher Education courses; and
- support the development of a new generation of entrepreneurs – working in key sectors.

EMPLOYABILITY AND SKILLS

13. The Scottish Government’s recent Enterprise and Skills Review identified opportunities to strengthen regional delivery to achieve better outcomes.

14. **Key commitments include:**

- The Scottish Government will support the regional partners to stimulate active collaboration to deliver better outcomes for all of the region and particularly those people facing significant disadvantages to securing and sustaining meaningful, high quality employment.

- The Scottish Government will invest up to £25m (over eight years) in the regional partnership to deliver an Integrated Regional Employability and Skills Programme. This will reduce skills shortages and gaps, and deliver incremental system-wide improvements to boost the flow of individuals from disadvantaged groups (e.g. young care leavers, workless, and those in low paid or insecure jobs) into the good career opportunities that will be generated through the city region deal investment. This will deliver better impact from existing public, private and third sector investments.

TRANSPORT

15. This deal will deliver major investments to ensure that Scotland's capital and its region is served by world class transport infrastructure. The recently published SESplan cross-boundary study of the region has helped to show where transport investment will be most effectively targeted.
16. Partners will put in place a regional developer contributions framework which takes account of work being led by SESplan and the emerging findings of the jointly-produced cross-boundary study. These interventions and commitments, taken with the additional transport investment to enable the innovation and housing projects, will help ensure the region continues to grow and flourish.

17. Key commitments include:

- The Scottish Government will invest up to £120m to support improvements to the A720 City Bypass for the grade separation of Sheriffhall Roundabout.
- The Scottish Government will provide £20m investment to support public transport infrastructure improvements identified by the West Edinburgh Transport Appraisal, alongside investment from partners and the private sector.
- The Scottish Government commits to continuing to work collaboratively with the regional partners on identified regionally-led local transport investment priorities through the establishment of a Transport Appraisal Working group, with an agreed and mutually shared remit and proposed outcomes. Partners will have the opportunity to be involved in and influence the second Strategic Transport Projects Review.

CULTURE

18. Scotland's capital city has a world-class cultural offer which is vital in attracting around four million visitors a year who inject £1.3 billion to the region's economy. The new concert hall unlocked through this city deal will deliver £40m private sector investment and make a significant contribution to the ongoing success of Edinburgh's cultural offer.

19. Key commitments include:

- Both Governments will provide up to £10m each (a maximum of £20m) of capital funding to support the delivery of a new IMPACT concert hall that will reinforce Edinburgh's position as a pre-eminent Festival City.

HOUSING

20. As part of this deal, a regional housing programme recognises the very significant housing pressures across the region and the need to provide suitable housing to support sustainable economic growth.
21. The regional partners have committed, supported by the Scottish Government to deliver a 10-year ambitious programme of new housing across the region, delivering certainty to SMEs and maximising the economic benefit from the construction process through a substantial increase in off-site construction methods. This will be supported by existing training programmes through the Construction Scotland Innovation Centre.
22. This joint approach between local partners and Scottish Government will support the delivery of significant numbers of new homes across the region. Key to this scale of delivery is the unlocking of seven strategic sites. These are Winchburgh, Blindwells, Edinburgh's Waterfront, Calderwood, Shawfair, Tweedbank and Dunfermline.
23. The Scottish Government will support this delivery with the following key commitments:
 - Build on the recently committed additional £125 million between 2018/19-2020/21 to support the regional partners' 10-year affordable housing programme, subject to successful progress on this initial phase. Work on the next phase of the programme and the associated funding profile beyond 2020/21 to achieve agreed outcomes will begin in 2018.
 - Guarantee on a risk-sharing basis alongside West Lothian Council, up to £150m of infrastructure investment that will unlock up to 5,000 new homes in Winchburgh, West Lothian.
 - Prioritise and work with local authorities on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across these sites, learning from the Winchburgh approach.
 - Provide housing infrastructure funding of up to £50m, of predominantly private sector loans, to be spent on projects that will unlock housing in strategic development sites across the region and which will build upon the regional strengths in off-site construction creating new economic and export opportunities.
 - Provide a financing and funding package comprised of consent to on-lend up to £248m and an additional one-off £15m capital grant to enable the City of Edinburgh Council to establish a new regional housing company to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels.
24. Both Governments will also work with regional partners to maximise the potential contribution of public sector land and property in the region to help unlock further new housing.
25. These interventions will be linked to inclusive growth objectives through the creation of new jobs in deprived areas with investment linked to training opportunities.

GOVERNANCE AND ASSURANCE

26. Strong and effective leadership and governance is paramount to both successful implementation and in providing assurance to governments, local authorities and wider regional partners. To date, the city region deal has been developed through joint working by the region's local authorities and two consortiums, one for the business community and one for Higher and Further Education establishments, led by the University of Edinburgh.

Key commitments include:

27. Local partners will demonstrate the value for money case for each project and programme before funding is made available. As such, all commitments in this document are subject to the approval of final business cases from the relevant Government, or from both Governments in the case of jointly funded projects.

28. Partners will establish a new model of regional governance that will encompass the best practice approaches identified within the regional partnerships work stream of Phase 2 of the Enterprise and Skills Review. Following the recommendations of the Enterprise and Skills Review the model will focus on the needs of the area and will include an integral role for the private and third sectors. The new regional governance will include effective engagement with Scottish Enterprise, Skills Development Scotland and incorporate senior business and industry leadership. In respect of the Scottish Borders, the announcement of the South of Scotland Enterprise Agency will require Scottish Borders Council, all agencies and Government to take an approach that ensures an effective fit between the governance for the City Region Deal and the statutory nature of the new Agency.

29. The Scottish Government is developing an Inclusive Growth monitoring framework which will incorporate clear indicators to measure progress towards the five high-level inclusive growth outcomes (Economic Performance and Productivity, Labour Market Access, Fair Work, People, and Place) and will expect the City Region Deal evaluation and monitoring reports to align with this.

30. Local partners will work with both the UK Government and the Scottish Government to develop a final City Region Deal document, detailed implementation plan with monitoring and evaluation frameworks and associated business cases for all projects and/or programmes receiving funding from the UK and/or Scottish Governments.

31. Local partners will work with both the UK Government and Scottish Government to agree a communications strategy and an operating protocol. Both documents will set out how communications about the City Region Deal and its associated activities are taken forward, in a way that meet the needs of the regional partners as well as the UK and Scottish Governments.

ENDS

The City of Edinburgh Council

10.00am, Thursday 28 June 2018

City Deal New Housing Delivery Partnership Acquisition of Homes 2018/19 - referral from the Finance and Resources Committee

Item number	8.7
Report number	
Wards	All
Council Commitments	

Executive summary

On 12 June 2018 the Finance and Resources Committee considered a report on the partnership with Scottish Futures Trust (SFT) to accelerate housebuilding through the acquisition of homes for market rent and mid market rent. The report has been referred to the City of Edinburgh Council for approval to:

- 1) Lend up to approximately £13m to the mid market rent Limited Liability Partnership (LLP) to purchase 105 homes.
- 2) Provide a corresponding capital advance from the Loans Fund based on a repayment profile using the funding/income method, as set out in paragraph 3.12 of the report.
- 3) Amend the Loans Fund Repayment Policy to include the funding/income method repayment as set out in paragraph 3.14 of the report.

Terms of Referral

City Deal New Housing Delivery Partnership Acquisition of Homes 2018/19 - referral from the Finance and Resources Committee

Terms of referral

- 1.1 On 17 September 2015, the City of Edinburgh Council agreed to enter into a partnership with Scottish Futures Trust (SFT) to accelerate housebuilding through acquisition of homes for market rent and mid market rent.
- 1.2 The proposal formed part of the housing programme in the Edinburgh and South East City Region Deal in 2017. This included Scottish Government consent for the City of Edinburgh Council to on-lend up to £248 million to two Limited Liability Partnerships (LLPs), one for market rent and one for mid market rent, for the purpose of delivering a minimum of 1,500 homes for market and mid market rent in Edinburgh.
- 1.3 In total, 105 of the homes to be delivered by the programme in 2018/19 had been earmarked for mid market rent. The homes would be delivered on four sites across the city. The first of these homes would be available at Clermiston in August 20168. The remaining three sites were Greendykes G, Hailesland Place and North Sighthill. The homes were located within mixed tenure developments which included housing for social rent which would be held on the Housing Revenue Account (HRA) and managed by the Council.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To transfer 105 homes constructed as part of the Council's housebuilding programme, from the Housing Revenue Account (HRA), to the Housing Delivery Partnership mid market rent Limited Liability Partnership (LLP) in 2018/19.
 - 1.4.2 To note the requirement for the Council:
 - 1.4.2.1 To lend up to approximately £13m to the mid market rent LLP to purchase 105 homes.
 - 1.4.2.2 To provide a corresponding capital advance from the Loans Fund based on a repayment profile using the funding/income method repayment as set out in paragraph 3.12 of the report.

1.4.2.3 To amend the Loans Fund Repayment Policy to include the funding/income method repayment as set out in paragraph 3.14 of the report.

1.4.3 To refer the report to Full Council on 28 June 2018 for approve of the above.

For Decision/Action

2.1 The City of Edinburgh Council is asked:

2.1.1 To lend up to approximately £13m to the mid market rent LLP to purchase 105 homes.

2.1.2 To provide a corresponding capital advance from the Loans Fund based on a repayment profile using the funding/income method repayment as set out in paragraph 3.12 of the report.

2.1.3 To amend the Loans Fund Repayment Policy to include the funding/income method repayment as set out in paragraph 3.14 of the report.

Background reading / external references

Finance and Resources Committee 12 June 2018.

Laurence Rockey

Head of Strategy and Insight

Contact: Veronica MacMillan, Committee Services

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

Appendices

Appendix 1 - report by the Executive Director of Place

Finance and Resources Committee

10.00am, Thursday, 12 June 2018

City Deal New Housing Delivery Partnership Acquisition of Homes 2018/19

Item number	7.14
Report number	
Executive/routine	
Wards	All
Council Commitments	1 , 6 , 10

Executive Summary

In February 2018, the City of Edinburgh Council agreed to enter into agreements with Scottish Futures Trust (SFT) to establish two Limited Liability Partnerships (LLPs) to deliver 1,500 homes for market and mid market rent to be let to households on low to moderate incomes.

The new partnership will complement existing Council approaches to delivering affordable and low-cost housing and will be branded as Edinburgh Living.

The purpose of this report is to seek approval to transfer the first 105 mid market rent homes developed on mixed tenure sites, as part of the Council's housebuilding programme, from the Housing Revenue Account (HRA) to the new mid market rent LLP. The homes will be transferred on completion at a transfer price based on total development costs; including construction cost, land value and related short-term funding costs.

Committee is asked to note the lending and capital advances required for the LLP to complete the purchase and refer the report to City of Edinburgh Council for approval. The purchase will be funded through a mix of borrowing and Scottish Government grant. The HRA will receive a capital receipt.

City Deal New Housing Delivery Partnership Acquisition of Homes 2018/19

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
 - 1.1.1 Agrees the transfer of 105 homes constructed as part the Council's housebuilding programme, from the Housing Revenue Account (HRA), to the Housing Delivery Partnership mid market rent LLP in 2018/19.
 - 1.1.2 Note the requirement for the Council:
 - 1.1.2.1 to lend up to approximately £13m to the mid market rent LLP to purchase 105 homes;
 - 1.1.2.2 to provide a corresponding capital advance from the Loans Fund based on a repayment profile using the funding / income method, as set out in paragraph 3.12; and
 - 1.1.2.3 to amend the Loans Fund Repayment Policy to include the funding / income method repayment as set out in paragraph 3.14.
 - 1.1.3 refers this report to Full Council on 28 June 2018 for approval of the above.

2. Background

- 2.1 On [17 September 2015](#), the City of Edinburgh Council agreed to enter into a partnership with SFT to accelerate housebuilding through acquisition of homes for market rent and mid market rent.
- 2.2 This proposal formed part of the housing programme in the Edinburgh and South East City Region Deal in 2017. This included Scottish Government consent for the City of Edinburgh Council to on-lend up to £248 million to two LLPs, one for market rent and one for mid market rent, for the purpose of delivering a minimum of 1,500 homes for market and mid market rent in Edinburgh.
- 2.3 On 18 January 2018, the Housing and Economy Committee agreed that the Council could enter into agreements with SFT to establish the LLPs to support the delivery of homes for market rent and mid market rent.
- 2.4 The same Committee agreed, in principle, that homes developed by the Council within mixed tenure developments for market rent and mid market rent could be

transferred to the LLPs on vacant possession, subject to agreement by the Finance and Resources Committee.

- 2.5 The report was referred to the City of Edinburgh Council on 01 February 2018 to confirm the appointment of elected members and an Executive Director to represent the Council on the LLPs' Corporate Body.
- 2.6 The Council entered into agreements with SFT on 28 March 2018. The first meeting of the LLP's Corporate Body is due to take place on 04 June 2018.

3. Main report

Transfer and operation of homes

- 3.1 The purpose of this report is to seek Committee approval to take the next steps towards making the LLPs operational by approving transfer of homes scheduled for completion in 2018/19 and earmarked for mid market rent, from the HRA to the mid market rent LLP. The homes will be transferred on completion and let to tenants on low to moderate incomes.
- 3.2 In total, 105 of the homes to be delivered by the programme in 2018/19 have been earmarked for mid market rent. These are detailed within Appendix 1. The homes will be delivered on four sites across the city. The first of these homes will be available at Clermiston in August 2018. The remaining three sites are Greendykes G, Hailesland Place and North Sighthill. The homes are located within mixed tenure developments which include housing for social rent which will be held on the HRA and managed by the Council.
- 3.3 Once transferred, the homes will be owned by the LLP and let and managed by a Management and Maintenance Service Provider appointed by the Council. The Council has a 99.9% share in the mid market rent LLP with the remaining 0.01% held by SFT.
- 3.4 A procurement exercise has been initiated to select an organisation with suitable experience to manage and maintain the homes on behalf of the LLPs. The operational model is based on the successful approach in use under the National Housing Trust (NHT) initiative. The procurement process will have a strong emphasis on customer service and financial and operational performance. A report will be brought to a future meeting of the Finance and Resources Committee seeking approval to award the contract.
- 3.5 A proportion of the rents collected will be held by the LLP as a lifecycle reserve. This will ensure that funds are in place to enable the LLPs to maintain the homes in future years and carry out large lifecycle maintenance programmes; including the replacement of kitchens, bathrooms and door entry systems, for example, at the appropriate times.

Lending and corresponding capital advances

- 3.6 In the case of the mid market rent LLP, it is intended that the acquisition of each tranche of housing units is funded by a combination of grant from the Scottish

Government and a loan from the Council. In the case of the market rent LLP, the acquisition of each tranche of housing will be funded purely by loan from the Council.

- 3.7 The loans to the LLPs will be a 40-year annuity repayment structure, similar to a mortgage. For the mid market rent LLP, the rate of interest on the loan will be based on the Public Works Loan Board (PWLB) 40-year annuity rate available to the Council on the day each loan is advanced. For the market rent LLP, the rate of interest will be slightly higher than PWLB 40-year annuity rate to take account of the higher rent that will be charged through this initiative and the funding risk (100% loans).

Ministerial Consent and funding by capital advance

- 3.8 Scottish Government Ministers have the power to allow Councils to borrow for purposes other than the strict criteria outlined in the Local Authority (Capital Financing and Accounting Scotland) Regulations 2016, including giving consent to lend to third parties. The Council has been given consent by the Scottish Government to borrow for the loans to both LLPs, which in turn permits capitalisation of this lending. This means that the loans will be funded by a capital advance from the Council's Loans Fund in the same way that any other capital expenditure made by the Council (and funded by borrowing) would be.
- 3.9 The loans will increase the Capital Financing Requirement (CFR) of the Council and hence the Council's underlying need to borrow. The anticipated loans have already been included as a separate line in the borrowing CFR approved as part of the budget process and 2018/19 Treasury Strategy. The loans have also been included in the Authorised Limit and Operational Boundary Prudential Indicators.
- 3.10 The Council does not need to borrow externally specifically to make the loans to the LLPs but the consent allows it to borrow if it chooses to do so. However, while the Council may wish to make the advantageous PWLB interest rates available to the LLPs to assist them in delivering the provision of affordable housing for rent, the Council will wish to mitigate the interest rate risk in doing so. As set out in the 2018/19 Treasury Strategy, it is likely that matching back to back arrangements for external borrowing will be considered when each loan to the LLPs is made.

New Borrowing Regulations

- 3.11 In 2016, the Scottish Government introduced a new set of regulations governing local authority borrowing in Scotland. Some the changes brought in by the regulations were required to support the City Deal structures in Scotland, and one of these key changes was the introduction of a range of options available to repay the principal on capital advances.
- 3.12 Until now, the Council has continued to apply the statutory repayment profile to advances from the loans fund which is the same method used before the introduction of the new Regulations. However, the funding / income method

gives the Council the ability to sculpt capital advance repayments to the income that will be generated by the expenditure or other future funding. In granting their consent to borrow on behalf of the LLPs, the Scottish Government have provided formal consent on the basis that the funding / income repayment method be used.

- 3.13 It is therefore intended that the repayment profile for the capital advance is a 40-year annuity to match the loan to the LLP, based on the life cycle maintenance provision proposed. It should be noted, however, that should the LLPs fail to make their loan principal or interest repayments, the Council's General Fund will need to fund the shortfall from elsewhere in its own budget.

Amendment to Loans Fund Repayment Policy

- 3.14 Under the 2016 Regulations, the Council is required to maintain a Loans Fund Repayment Policy. The current Policy, approved as part of the 2018/19 Treasury Strategy requires to be amended to include the funding / income method of repayment. It is recommended that the new Policy reads:

Loans Fund Repayment Policy

- 3.15 The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. Capital payments made by services are financed by capital advances from the loans fund.
- 3.16 With the exception of advances in relation to Edinburgh Living LLPs, all advances from the loans fund in the current year have a repayment profile set out using Option 1 – the statutory method. These capital advance along with previous years' advances from the loans fund are being repaid using the previous hybrid annuity structure with fixed principal repayments.
- 3.17 For capital advances for loans to Edinburgh Living LLPs, all advances from the loans fund in the current year have a repayment profile set out using Option 4 – the funding / income method and these capital advance will be repaid using an annuity structure with fixed interest rate and principal repayments.

4. Measures of success

- 4.1 The establishment of two LLPs to deliver 1,500 homes for households on low to moderate incomes.
- 4.2 The LLPs have a key role to play in delivering the Council's housing strategy and the coalition commitment to deliver 20,000 homes over ten years. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.
- 4.3 Support the delivery of more social rented homes by operating at scale.

- 4.4 Support the delivery of mixed tenure housing led regeneration of brownfield sites.
- 4.5 High quality, well managed homes and outstanding customer service for tenants.
- 4.6 Positive impact on the local economy through creation of jobs and regeneration opportunities.

5. Financial impact

Housing Revenue Account

- 5.1 The mid market rent LLP will purchase 105 completed homes from the HRA for a Capital Receipt of £15.18m. The transfer price is based on total development costs; including construction cost, land value and related short-term funding costs. The financial impact of this mechanism on the HRA will be cost neutral and the capital expenditure associated with funding the construction forms part of the approved Housing Revenue Account Budget Strategy for 2017/18 to 2021/22. This approach will also be applied to future transfers as it ensures that the HRA is not impacted financially as a result of front-funding these developments.

LLPs

- 5.2 The mid market rent LLP will fund the purchase of these homes from £12.87m in borrowing received through Council lending and £2.310m of Scottish Government grant funding. Approval is required from the City of Edinburgh Council to lend funds to the LLP in order to fund the purchase of these homes. The costs associated with the lending will be recharged to the LLP, who will meet these costs from net rental income generated from letting the properties.
- 5.3 A viability test has been carried out to ensure that the 105 homes purchased by the mid market rent LLP are capable of generating a sustainable income stream that can cover running costs and repayment of principal and interest on the lending provided by the Council's General Fund. A prudent allowance is also required to be earmarked to cover future life-cycle maintenance.
- 5.4 The test uses Debt Service Cover Ratio (DSCR) as a measure of financial viability. DSCR is a measure of the cash flow available to pay debt servicing and is calculated as:

$$\frac{\text{Net Income (excluding lifecycle provision)}}{\text{Debt Servicing costs}} = \text{DSCR}$$

Debt Servicing costs

- 5.5 A minimum DSCR of 1.02 times is used to measure financial viability to the LLPs. This is defined as the net cash flow available after all running costs have been met (excluding lifecycle provision) being at least 2% higher than debt servicing costs. If the DSCR is 1.02 times or greater, the acquisition is

considered to have met the minimum financial viability criteria. The test will be run for every acquisition made by the LLPs.

- 5.6 The viability test requirements were met, with projected net rental income (excluding lifecycle reserve provision) against loan repayments representing a debt service cover ratio of 1.13 times. Furthermore, the proposed rent levels for these homes have been compared to local housing market rents and considered to be appropriate and affordable. Rent levels will be within local housing allowance levels. Detail of the output of the financial viability test is included within Appendix 2
- 5.7 The lending to the mid market LLP in order to acquire 105 homes for mid market rent will be £12.87m, supplemented with £2.310m of grant funding from the Scottish Government (£0.022m per mid market unit has been provided through City Region Deal). The overall indicative loan charges associated with this capital advance over a 40-year period will be a principal amount of £12.87m and interest of £9.850m, resulting in a total cost to the LLPs of £22.72m based on an average facility interest rate of 3.125%. The annual loan charges will be £0.568m and will be fixed for the 40-year borrowing period. The annual loan charges will be repaid through the net rental income generated from letting the homes. This is projected to be £0.639m per annum in the first full year of operation and will be subject to annual inflationary increases.

General Fund

- 5.8 The viability test results project that the LLPs will generate sufficient net rental income to repay the Loans Fund capital advances relating to borrowing provided for the acquisition of homes and meet life-cycle maintenance requirements. The LLPs will monitor the actual operating position and adapt their business plan on an ongoing basis to ensure that this remains the case. It should be noted, however, that should the LLPs fail to make their loan principal or interest repayments, the Council's General Fund will need to fund the shortfall from elsewhere in its own budget.
- 5.9 Financial risk to the General Fund in the event of LLP default is mitigated by the Council having first ranking security on the homes after repayment of Scottish Government Grant provided for the mid-market rent LLP.

6. Risk, policy, compliance and governance impact

- 6.1 The LLP is made up of two partners, the City of Edinburgh Council and SFT.
- 6.2 The day to day management of the LLPs is delivered by a Senior Management Team made up of Senior Officers of the Council and a Senior Officer from SFT. The LLPs are governed by the two Members, the Council and SFT, and meet as a Corporate Body represented by four elected members, the Executive Director of Place and a Director from SFT.

- 6.3 Reports will be delivered to both the Housing and Economy Committee and the Governance, Risk and Best Value Committee providing updates on the operations of the LLPs.
- 6.4 Scottish Government consent is required to allow the Council to transfer land out of the HRA. In 2016, the Scottish Government published guidance setting out the procedures that the Council should follow when disposing of land on the HRA.
- 6.5 The majority of disposals are now dealt with through a General Consent rather than needing to apply to the Scottish Government for consent on an individual basis.
- 6.6 This disposal will fall under the General Consent, ensuring that best consideration has been achieved for the HRA.
- 6.7 Financial risk to the Council in the event of LLP default is mitigated by the Council having first ranking security on the homes after repayment of Scottish Government Grant provided for the mid-market rent LLP. For example, if demand for rented homes was to diminish in the future and demand for homes for ownership increased, the homes could be sold.

7. Equalities impact

- 7.1 An integrated impact assessment has been carried out for this project. A range of positive impacts have been identified. These include:
 - 7.1.1 More accessible homes that are suitable for people who have mobility difficulties;
 - 7.1.2 More affordable homes to enable people to have a good standard of living;
 - 7.1.3 More people able to access housing which enhances rights in relation to privacy and family life; and
 - 7.1.4 Community benefits secured through housing contracts can enhance rights to education and learning through development of links with schools.

8. Sustainability impact

- 8.1 The partnership will support the delivery of new homes on brownfield sites, reducing pressure on Edinburgh's green belt.
- 8.2 New build homes are built to high standards in terms of energy efficiency and sustainability. There will be a strong emphasis on providing homes that are cheap to heat and affordable to manage for tenants.
- 8.3 Community benefits secured through housing contracts can enhance the local environment.

9. Consultation and engagement

- 9.1 Consultation has taken place on accelerating house building and establishing housing LLPs with a range of partners including; RSLs, housing developers, land agents, institutional investors, Scottish Government and the SFT.
- 9.2 There is strong support from Council tenants for delivery of more affordable homes and strong demand for housing at mid market rent levels.

10. Background reading/external references

- 10.1 [Accelerating House Building – referral from the Health, Social Care and Housing Committee, City of Edinburgh Council, Thursday 17 September 2015](#)
- 10.2 [21st Century Homes – Housing Development at Fountainbridge and Meadowbank, Health Social Care and Housing Committee, Tuesday 19 April 2016](#)
- 10.3 [City Housing Strategy Update, Health, Social Care and Housing Committee, Tuesday 13 September 2016](#)
- 10.4 [City Deal – Proposal for New Housing Partnership with Scottish Futures Trust, Housing and Economy Committee, Thursday 02 November 2017](#)
- 10.5 [City Deal – New Housing Delivery Partnership Implementation, Housing and Economy Committee, Thursday 18 January 2018](#)
- 10.6 [City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 01 February 2018](#)
- 10.7 [Annual Treasury Strategy 2017-18 - referral from the Finance and Resources Committee, City of Edinburgh Council, Thursday 16 March 2017](#)
- 10.8 [Annual Treasury Strategy 2018-19, City of Edinburgh Council, Thursday 15 March 2018](#)

Paul Lawrence

Executive Director of Place

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Contact: Sat Patel, Senior Accountant

E-mail: satyam.patel@edinburgh.gov.uk | Tel: 0131 529 2277

11. Appendices

- 11.1 Appendix 1 – List of homes to be transferred on completion
- 11.2 Appendix 2 – Output of financial viability test

Mid market rent homes to be delivered in 2018/19

Site	Number of homes for mid market rent	Approximate date of first phase handovers
Clermiston	22	August 2018
Greendykes G	56	September 2018
Hailesland Place	11	November 2018
North Sighthill	16	January 2019
Total	105	

Output of Financial Viability Test

Site	Total acquisition price £m	Scottish Government grant £m	Projected Net Income (per annum – first full year of operation) £m	Debt Servicing costs (per annum) £m	DSCR
Clermiston	3.12	0.484	0.131	0.113	1.16
Greendykes G	8.11	1.232	0.343	0.305	1.12
Hailesland Place	1.53	0.242	0.061	0.057	1.07
North Sighthill	2.42	0.352	0.104	0.093	1.12
Total	15.18	2.310	0.639	0.568	1.13

The City of Edinburgh Council

10.00am, Thursday, 28 June 2018

Edinburgh 2050 City Vision

Item number	8.8
Report number	
Executive/routine	
Wards	All
Council Commitments	

Executive Summary

To describe progress on the development of an Edinburgh 2050 City Vision and to recommend that the Council provides a match-funded contribution to undertake a public engagement campaign to reach every Edinburgh resident and invite them to create the Edinburgh 2050 City Vision.

Edinburgh 2050 City Vision

1. Recommendations

It is recommended that Council:

- 1.1 Notes progress on the development of an Edinburgh 2050 City Vision; and
- 1.2 Agrees to allocate £0.100m from the Council Priorities Fund to match-fund the external financial contribution predicated on this basis.

2. Background

- 2.1 Edinburgh is one of the world's great cities. Edinburgh is one of the most attractive cities in the world, a fact recognised by UNESCO when conferring World Heritage Site status on the city's Old and New Towns. Edinburgh is Scotland's fastest growing city. For people of all ages, the city provides an appealing offer – the UK's greenest city, offering the highest average wages outside of London, with unique and world-leading cultural events. Edinburgh regularly wins best city awards and has a growing reputation as a place to do business. The vast majority of Edinburgh residents enjoy a prosperity and quality of life that is second to none.
- 2.2 The success the Edinburgh enjoys creates growth pressures. Edinburgh also has social issues such as relative poverty and a gap between rich and poor. This has implications for the next generation with one in five of Edinburgh's children living in poverty today. The world also faces unprecedented challenges in this century.
- 2.3 City visions are an important part of forward planning for many successful cities including New York, Vancouver, Sydney and Copenhagen. A city vision is a unifying force. It has the potential to bring together powerful and influential organisations to achieve what none could do individually. It calls on citizens to shape their future and commit something of long-term significance. Having a City Vision can redefine what is possible, recognising and harnessing a common purpose across the diverse group of stakeholders that have an interest in Edinburgh's continued success.

3. Main Report

- 3.1 In 2016, the city of Edinburgh began a conversation about its future to create a vision for 2050 : what priorities should the vision include and how might they be delivered. This was deliberately long-term and apolitical to look beyond the latest headlines and short-term political cycles. To reinforce the civic breadth of the ambition for Edinburgh, the process for the development of the City Vision has been led by the Lord Provost, supported by a Steering Group with representatives from the business community,

academia, the third sector and young people from Edinburgh's colleges and schools. Membership of the Steering Group is detailed at Appendix A.

- 3.2 During the first year of the city vision, a broad audience of 10,000 was reached as part of a preliminary conversation to describe the type of city Edinburgh aspires to be by 2050. Ideas and insights were obtained from a range of sectors including citizens, festivals, universities, media, schools, business improvement districts, and a mix of private and public sector businesses. Based on the first year of feedback a number of broad approaches that have public and cross-sector support were evident, including:
 - 3.2.1 Edinburgh becoming carbon neutral;
 - 3.2.2 Eradicating poverty;
 - 3.2.3 Reimagining public space; and
 - 3.2.4 Making Edinburgh more caring.
- 3.3 The emerging vision for Edinburgh is composed of two components : the themes that articulate the values and purpose of the vision and action areas, showing projects and programmes, which will be developed as part of city vision. The four themes are:-
 - 3.3.1 An **Inspired** City – recognising and seeking to grow our cultural heritage and seeking for Edinburgh to be renowned for creativity and ingenuity, building on its reputation for culture, education and innovation.
 - 3.3.2 A **Thriving** City – aspiring for Edinburgh to be a place of opportunity and ambition, where innovators and entrepreneurs can achieve prosperity and success.
 - 3.3.3 A **Connected** City – recognising that connections are at the core of how a city is lived in and how people interact and seeking for Edinburgh to have shared spaces which create opportunities for understanding, for friendship and the exchange of ideas.
 - 3.3.4 A **Fair** City – seeking to protect and improve the wellbeing and life experience for all citizens ensuring that no barriers to achievement exist and that a good quality of life is a basic requirement enjoyed by all.
- 3.4 The conversation regarding the city vision under taken to date has provided insight and a firm foundation from which to engage with all citizens and organisations in the city to ensure that the Edinburgh 2050 City Vision truly reflects their aspirations. A public engagement campaign is being developed in conjunction with Marketing Edinburgh. This campaign is intended to reach every Edinburgh resident and to invite them to consider what part they can play to improve their own future, their family's future and to contribute to the legacy of the city.
- 3.5 For the Edinburgh 2050 City Vision to be successful it requires to reflect the aspirations of the citizens and stakeholders in Edinburgh. Edinburgh residents are clearly a key audience who to date have not had the opportunity to contribute to the

project. The next step is to launch a fully integrated awareness campaign to engage audiences and with the goal to reach every Edinburgh resident, young and old, and to seek their feedback/input. It is intended that the campaign will:

- 3.5.1 Raise awareness of Edinburgh's 2050 City Vision;
 - 3.5.2 Encourage people to engage with Edinburgh's 2050 City Vision - to drive people to comment, post, share, attend events and ultimately encourage their peers to get involved;
 - 3.5.3 Provide the City Vision Steering Group with real, authentic data to help sculpt the vision for Edinburgh;
 - 3.5.4 Ensure that every Edinburgh resident feels they have had the opportunity and a suitable platform to participate in finding Edinburgh's vision.
- 3.6 It is important that the public engagement is not seen to be a 'typical' Council marketing campaign in order that it truly captures the aspirations of the city. City partners, including Edinburgh Airport, JCDecaux, The University of Edinburgh and Parabola have pledged significant financial and in-kind support to the campaign. In-kind commitments include media, creative, advertising and project management support. Whilst the campaign and vision should not be council-driven, the Council clearly has a significant role to play. A financial contribution pledged to support the city vision activity is contingent on the Council match-funding the £0.100m offered. Allocating this sum from the Council Priorities Fund would enable the public engagement campaign to be fully funded.
- 3.7 A presentation that illustrates the Edinburgh 2050 City Vision campaign is attached at Appendix B.

4. Measures of success

- 4.1 The success of the City Vision will be enhanced by the greater the level of stakeholder engagement.

5. Financial impact

- 5.1 City partners have pledged significant cash and in-kind support, currently of a value in the order of £0.400m. One cash pledge of £0.100m is, however, contingent on the Council match-funding that contribution.
- 5.2 A report elsewhere on today's agenda advises members of a provisional 2017/18 underspend of £2.416m, with this sum set aside within the Council Priorities Fund. Members are asked to agree to allocating £0.100m of this underspend to match-fund the external financial contribution predicated on this basis.

6. Risk, policy, compliance and governance impact

- 6.1 Should budget be committed to the Edinburgh 2050 City Vision, a separate cost centre would be created to provide transparency and facilitate monitoring, oversight and reporting. This will facilitate the tracking of the actioning of decisions of the project Steering Group. The Council will act as the Accountable Body and, as such, any spending decisions will adhere to existing delegated authority within the Council and will be subject to regular updates being provided to the Council and partners.

7. Equalities impact

- 7.1 It is intended that the Edinburgh 2050 City Vision campaign engages with all citizens. An emerging theme for the Vision is that Edinburgh should aspire to be a Fair City, protecting and improving the wellbeing and life experience for all citizens and ensuring that no barriers to achievement exist and that a good quality of life is a basic requirement enjoyed by all. The Edinburgh 2050 City Vision has the potential to be a force for good in promoting equality.

8. Sustainability impact

- 8.1 Preliminary engagement on the Edinburgh 2050 City Vision has suggested that Edinburgh becoming carbon neutral commands public and cross-sector support.

9. Consultation and engagement

- 9.1 It is intended that the Edinburgh 2050 City Vision campaign reaches every Edinburgh resident to invite them to consider what part they can play to improve their own future, their family's future and to contribute to the legacy of the city.

10. Background reading/external references

None.

Andrew Kerr

Chief Executive

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11. Appendices

Appendix A – Edinburgh 2050 City Vision Steering Group – membership.

Appendix B – presentation illustrating the Edinburgh 2050 City Vision campaign

APPENDIX A

Edinburgh 2050 City Vision Steering Group – Membership

Chair:

Frank Ross The Rt. Hon Lord Provost of the City of Edinburgh

Members:

Andrew Kerr	Chief Executive, the City of Edinburgh Council
Prof. Andrew Kerr	Director, Edinburgh Centre for Carbon Innovation
Akhila Potluru	Student, Craigmount High School
Ella Simpson	Chief Executive, Edinburgh Voluntary Organisations Council
Garry Clark	Development Manager, Federation of Small Businesses
Julia Amour	Director, Festivals Edinburgh
Linda Irvine	Strategic Programme Manager, NHS Lothian
Liz McAreavey	Chief Executive, Edinburgh Chamber of Commerce
Neal Black	Student President, Edinburgh College Students Association
Rev. Scott McKenna	Parish Minister, Edinburgh Interfaith Association
John Donnelly	Chief Executive, Marketing Edinburgh



2050

Edinburgh City Vision

www.edinburgh2050.com

#edinburgh2050

Our ambition

Every Edinburgh resident will be touched by the campaign at least once



Audience

Embrace real life



Don't create ads,
create value

Four second
filter

Considerations

Be highly visible but not just static

Don't talk, do

Blending traditional media with dynamic platforms



Creative development

12 different creative routes were commissioned and the preferred 6 were researched

Research comprised three groups (24 people in total) between 18 - 40



Six ideas researched

Wave 1

Thank you from the future

Do something today your future will thank you for
EDINBURGH 2050
 Join the conversation
www.edinburgh.org/2050
 #edinburgh2050

1

THANK YOU FROM YOUR FUTURE SELF

Your ideas helped make Edinburgh a long-haul aviation hub.

Edinburgh in the future will benefit from the ideas you share with us today. Leave a lasting legacy by sharing your vision with us at edinburgh2050.org

EDINBURGH 2050

2

£5,000 FOULING FINE FOR CITY DOG OWNERS.

Thank you from 2050. Edinburgh in the future will benefit from the ideas you have today. Leave a lasting legacy by sharing your vision with us at edinburgh2050.org

EDINBURGH 2050

3

Wave 2

My Edinburgh will...

IF EDINBURGH IS IMPORTANT TO YOU, TELL US WHAT MATTERS MOST.

What do you think Edinburgh should be like in the future?

What do you think Edinburgh should be like in the future? Tell us today. edinburgh2050.org

EDINBURGH 2050

Share what's most important to you and let's make it happen. edinburgh2050.org

EDINBURGH 2050

4

My Edinburgh will...

BE THE GREENEST.

Share your ideas and let's make Edinburgh the most progressive city in Europe by 2050. edinburgh2050.org

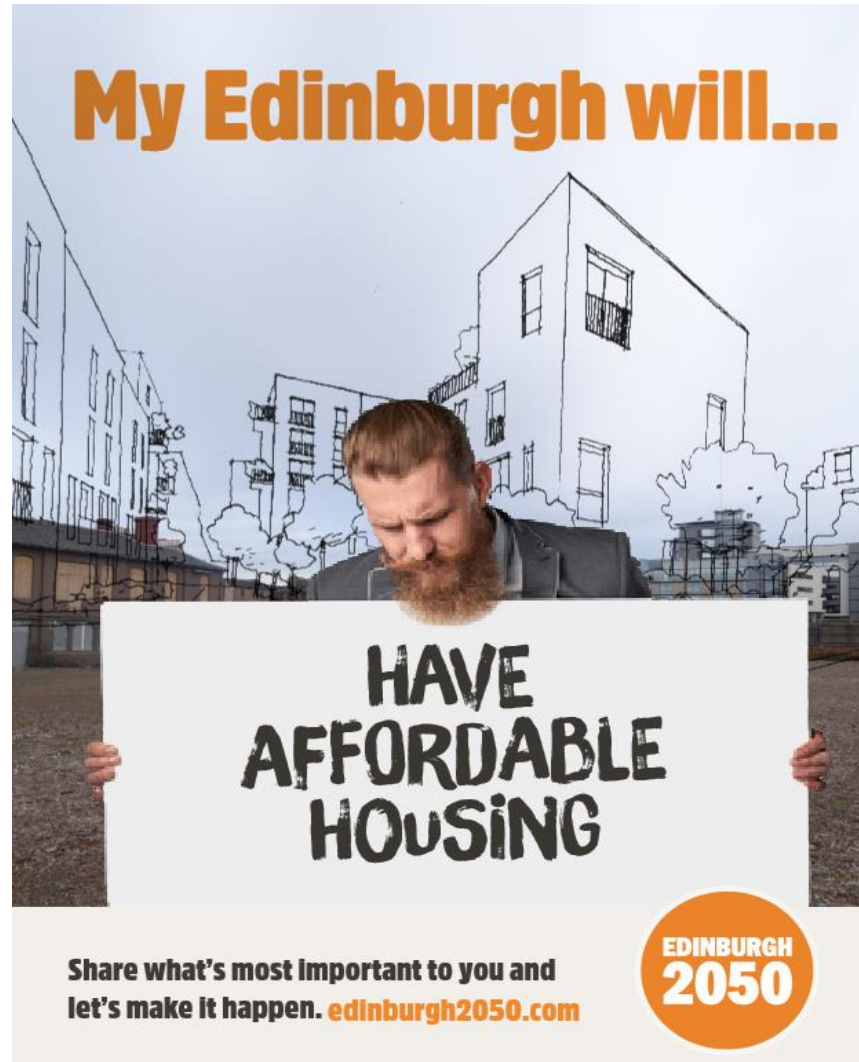
EDINBURGH 2050

6

Winning creative route



My Edinburgh Will...



My Edinburgh will...

HAVE AFFORDABLE HOUSING

Share what's most important to you and let's make it happen. edinburgh2050.com

EDINBURGH 2050



My Edinburgh will...

ATTRACT HIGH QUALITY JOBS

Share what's most important to you and let's make it happen. edinburgh2050.com

EDINBURGH 2050



My Edinburgh will...

BE GLOBALLY CONNECTED

Share what's most important to you and let's make it happen. edinburgh2050.com

EDINBURGH 2050

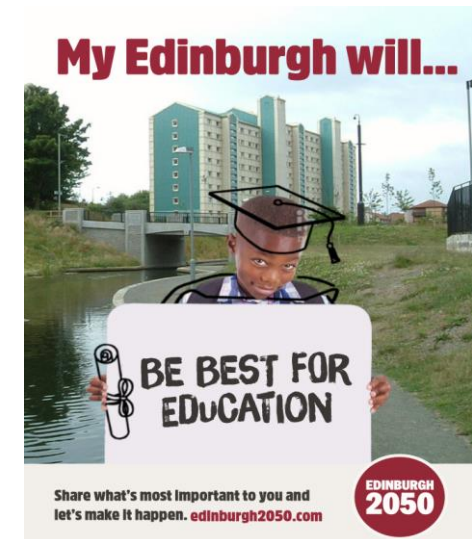


My Edinburgh will...

BE THE GREENEST.

Share what's most important to you and let's make it happen. edinburgh2050.com

EDINBURGH 2050



My Edinburgh will...

BE BEST FOR EDUCATION

Share what's most important to you and let's make it happen. edinburgh2050.com

EDINBURGH 2050

Dynamic word cloud: real time updates

My Edinburgh
will be.....

Share what's most important to you and
let's make it happen. edinburgh2050.com



**Raising
awareness**



Media rationale

Ensure that every Edinburgh resident is exposed to the campaign

Capture attention through experiences and moments of WOW

Encourage and facilitate conversation and sharing

City takeover inc digital posters




My Edinburgh will...
BE BEST FOR
EDUCATION
Share what's most important to you and
let's make it happen. edinburgh2050.com
2050

My Edinburgh will...
BE THE
GREENEST.
Share what's most important to you and
let's make it happen. edinburgh2050.com
2050

City takeover inc
digital posters

My Edinburgh will...



**ATTRACT
HIGH QUALITY
JOBS**

Share what's most important to you and
let's make it happen. edinburgh2050.com

**EDINBURGH
2050**

FORREST
CityScreen

City takeover
with
digital posters

61016

Platforms 12 to 18
Through ticket gates

Departures	On time	Subsequent Departures
15:30 Ready soon London Kings X Calling at: Paisley Gifford Newcastle Darlington York & LONDON KINGS X. Virgin Trains EC Foods	15:37 Perth Calling at: Haymarket Edinburgh Park Linlithgow Polmont Falkirk Grahamston Carnegie Larbert Stirling Bridge of Allan & DUNDEE. ScotRail HOME 3 COACHES	15:40 Glasgow Flat 33 On time 15:40 North Berwick Flat 4 On time 15:45 Blairgowrie St. L. Flat 15 On time 15:48 Newburgh Flat 17 On time 15:49 via Northwell Canceled 15:52 via Blairgowrie St. L. Flat 15 On time 15:53 Tynecastle Flat 1 On time 15:55 via Shuttle Flat 13 On time

My Edinburgh will be.....

Share what's most important to you and
let's make it happen. edinburgh2050.com



JCDecaux



Rich content

Media partnerships

Blogger / vlogger activity

Sectorial ambassadors

Edinburgh Evening News
www.edinburghnews.com
Friday, 9 February 2018 55p (37p for subscribers)

New serialisation of Last Orders by Tony Black, the Capital crime writer hailed by Irvine Welsh as 'Britain's best' - PART ONE TODAY

Ben's surprise at fans' award
FULL STORIES - BACK PAGE

Hamill takes step closer to return

What do you think Edinburgh should be like in the future?

The cleanest city

Affordable

Full employment

Socially Inclusive

Free of dog poo

Free of

FAIR

Perfect for children

Stimulating

Artistically

Free

Carbon neutral

Welcoming

Great for music gigs

Friendly

Full employment

The greenest city

Tolerant

Investment hub

Multicultural

Poverty Free

Artistically Stimulating

The best educated

Technology capital

The cleanest city

Free of dog poo

Employment for all

West End anger over tram invite

DAVID O'LEARY
TRADERS who have lost thousands of pounds a week because of tram works have reacted angrily to being offered a tour of the city's new tram depot. Some were left aghast after receiving an e-mail offering a chance to "experience a short journey on a tram" and a tour of the Gogar depot and control room.

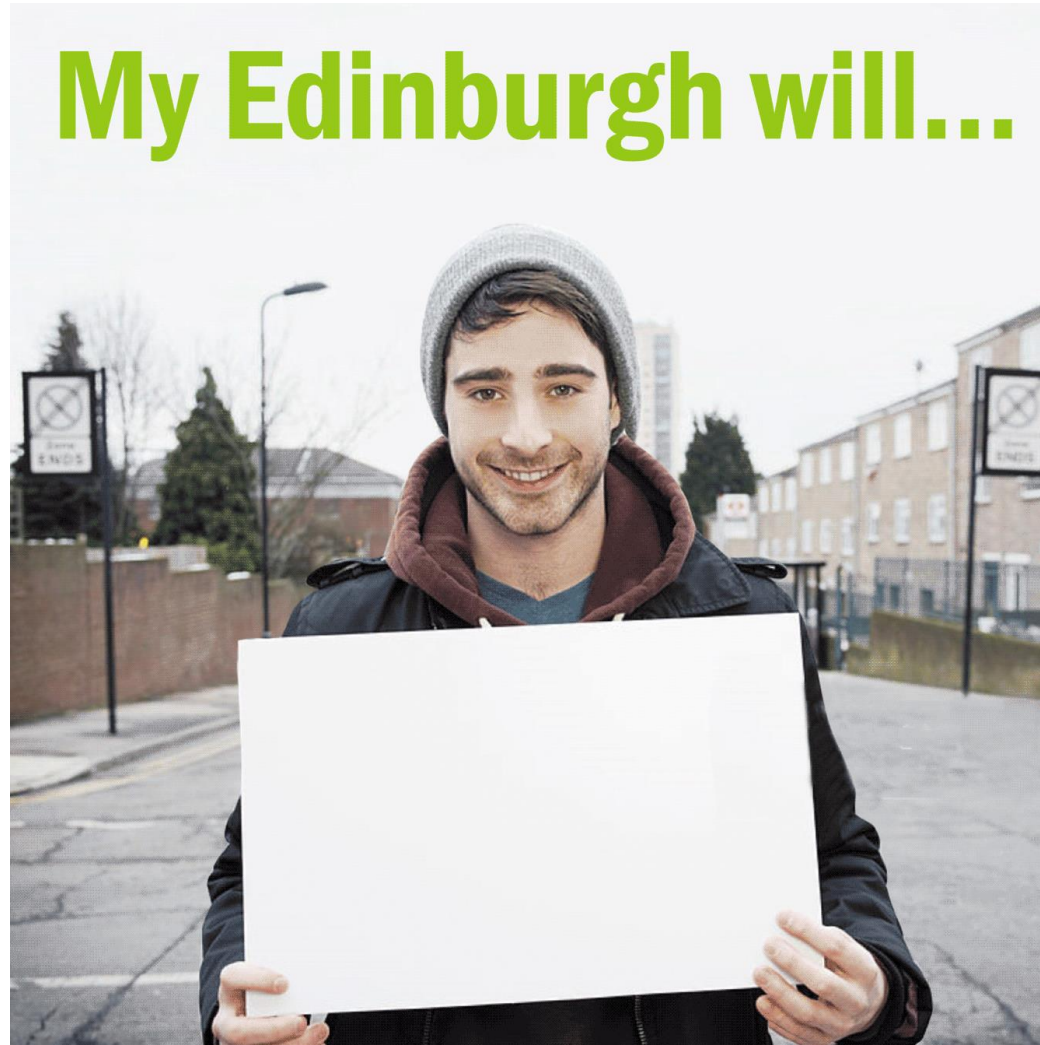
Full story - Page 11
2 NIGHTS FOR THE PRICE OF 1
Great hotels in great locations
SEE PAGE 43

FASHION
How to add colour to your wardrobe
PAGES 20-21



Display advertising

My Edinburgh will...



Audience engagement



Look into the future

Creative build placed
in high-footfall area

2050 Word Cloud will be live, and
updated through real time
engagement



Be the future

Send respondents on a mission

Four lucky people will explore what other leading cities are doing. What will they learn?

To enter, one piece of social content (Gif, cinemograph, blog) is required that brings Edinburgh to life

The best become Edinburgh's 2050 explorers



Campaign microsite





Facebook



Instagram



Snapchat



Twitter



Share what's most important to you and let's make it happen.

edinburgh2050.org



sebastienpage Coming soon to your Instagram feed

Like Comment

Social media polls

Social Media posts encouraging residents to share their vision

Twitter and Facebook polls so residents can vote on issues of interest to them

Display advertising



10.00am, Thursday, 28 June 2018

Unaudited Annual Accounts 2017/18

Item number	8.9
Report number	
Executive/routine	Routine
Wards	n/a
Council commitments	n/a

Executive summary

The report presents to members the Council's 2017/18 Unaudited Annual Accounts prior to their submission to the external auditor. These statements detail the financial position and performance of the Council, together with that of the wider Council Group, for the year ending 31 March 2018. The report includes a summary of the draft outturn position and notes that more detailed reports will be brought to the Finance and Resources Committee in August 2018.

Unaudited Annual Accounts 2017/18

1. Recommendations

1.1 Members of Council are asked to:

- 1.1.1 note that the unaudited annual accounts for 2017/18 will be submitted to the external auditor by the required date;
- 1.1.2 note that the provisional revenue outturn position shows an overall in-year underspend of £2.416m and that this sum will be set aside within the Council Priorities Fund;
- 1.1.3 note the more detailed revenue and capital outturn reports will be considered by the Finance and Resources Committee in August 2018;
- 1.1.4 further note that the audited annual accounts and the auditor's report will be submitted initially to the Governance, Risk and Best Value Committee and be presented for approval thereafter by the Finance and Resources Committee in September 2018; and
- 1.1.5 approve, subject to the outcome of the audit process, an increase of £7.463m in the level of the Council's offer to the Edinburgh Integration Joint Board in respect of 2017/18, in line with the actual service outturn for the year; and
- 1.1.6 approve an allocation of £0.480m from the Council Priorities Fund to support additional investment in the city's roads network.

2. Background

- 2.1 This report presents the unaudited annual accounts for 2017/18 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 unaudited annual accounts must be published on the Council's website by no later than 30 June 2018 and made available for

public inspection for a period of 15 working days. This inspection period will run from Monday 2 July to Friday 20 July 2018 inclusive.

3. 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 18 and 19);
 - Comprehensive Income and Expenditure Statements (CIES) for the Group (page 20) and the Council (page 21); and
 - Balance sheets for the Group (pages 22 and 23) and the Council (pages 24 and 25).
- 3.2 The Code of Practice on Local Authority Accounting sets out the basis for presentation of the annual accounts. Following changes initially introduced for the 2016/17 reporting year, the CIES and supporting notes again require to be reported on the basis of the Council's management structure.
- 3.3 The consolidated group accounts include the results of the following subsidiaries, associates and trusts:
- **Subsidiaries** – CEC Holdings Ltd (including EDI Group Ltd and Edinburgh International Conference Centre Ltd) and Transport for Edinburgh Ltd.
 - **Associates and Joint Ventures** – Edinburgh Leisure, Capital Theatres (formerly Festival City Theatres Trust), Common Good, Lothian Valuation Joint Board and Edinburgh Integration Joint Board.
 - **Trusts** – International Conference Centre Income and Expenditure Trusts.
- 3.4 A number of smaller entities, listed on page 50 of the Unaudited Annual Accounts, have not been consolidated on the basis of their low materiality.
- 3.5 The unaudited accounts also include a remuneration report on pages 146 to 158. This covers the Council's Leader, Civic Head, Senior Councillors, Conveners of Joint Boards and senior employees within both the Council and its subsidiary companies for current and, where applicable, former post holders. Following the formation of the new Council in May 2017, the list of councillors is longer than in previous years, mainly reflecting changes in officeholders between the previous and current Administrations.

Outturn Summary

Revenue

- 3.6 The Council's draft outturn position shows a net underspend against budget of £2.416m. This net position is attributable to two main factors:

- There was an underspend across the Council's main service areas of £0.498m. This position takes account of £10.6m of supplementary funding made available during the year to address pressures within Health and Social Care (£7.1m) and Safer and Stronger Communities (£3.5m), in turn reflecting additional Council Tax income relative to budget assumptions, savings in loan charge expenditure, savings in other service areas and a number of one-off contributions from earmarked funds.
 - Net savings in loan charges (in excess of the savings supporting the additional expenditure above), mainly attributable to the Council's on-going strategy of using available cash balances in lieu of external borrowing, and additional interest and investment income received, together totalling £1.946m.
- 3.7 While, in overall terms, the expenditure concerned was offset by compensating savings in a number of other areas, the draft outturn also reflects an impairment cost of £3.116m in respect of the EDI Group. This loss primarily represents the effect of a writing-down of the value of work-in-progress in areas of the Group's operations and other costs associated with the transition strategy. As reported to Council on 31 May 2018, however, the wider strategy remains on track, with an estimated dividend to be paid to the Council, after repayment of all outstanding loan stock and share capital, of £8.5m and further sums receivable in respect of profit share for the Brunstane and Market Street projects.
- 3.8 The net underspend of £2.416m has been set aside within the Council Priorities Fund, increasing the provisional Fund balance to £7.770m, albeit with a number of pre-existing commitments on this sum. Members are asked to note that a more detailed outturn report will be presented to the Finance and Resources Committee in August 2018. A reconciliation of the CIES to the underspend of £2.416m is shown in Appendix 2.
- 3.9 Members will be aware that the Cabinet Secretary for Finance and the Constitution announced, on 6 April 2018, provision of a further £10m of funding to local authorities in 2017/18 in recognition of the additional pressure on winter maintenance budgets and necessary pothole repairs resulting from the severe winter weather in early March. Edinburgh's allocation of this funding, paid via Transport Scotland, was £0.480m and this sum is reflected within the overall 2017/18 Council-wide outturn.
- 3.10 While the immediate impact of the exceptional weather conditions was reflected in terms of significant additional snow clearance and urgent pothole repairs undertaken in 2017/18, the more medium-term impacts, particularly with regard to accelerated road surface deterioration, are only now becoming apparent. With this in mind, it is recommended that a matching sum of £0.480m be allocated from the Council Priorities Fund, on a one-off basis, in recognition of these additional pressures.

- 3.11 A report elsewhere on today's agenda recommends the earmarking of a further £0.100 allocation within the Council Priorities Fund to match-fund an external contribution facilitating wider public engagement in respect of the City Vision.

Level of funding allocated to the EIJB

- 3.12 Members will be aware of a range of demand-led pressures affecting the Health and Social Care service in 2017/18. These pressures, combined with delays in realisation of savings as part of the service's transformation plan, resulted in an overspend of £7.463m against the approved level of budget. As noted at 3.6, provision of £7.1m of mitigating funding was identified during the year through underspends in other areas, allowing a balanced overall Council-wide position to be forecast. This sum has been baselined within the budget framework with effect from 2018/19 and thus underpins the current year's provisional offer.
- 3.13 In view of the actual outturn and baselining of funding referred to above, it is recommended that the Council's offer be increased, on a one-off basis, by £7.463m in 2017/18. Discussions with the EIJB in respect of 2018/19's provisional offer are on-going.

Housing Revenue Account (HRA)

- 3.14 In line with the HRA Business Plan, at the end of 2017/18 the HRA was balanced after making a contribution of £0.438m to the Renewal and Repairs Fund and £10m towards in-year capital investment, with sums also drawn down from the Fund during the year to meet the cost of approved projects. The funds held in the Renewal and Repairs Fund are earmarked for investment in existing housing stock and future capital investment in new homes through the Council's own housing development programme.

Capital

- 3.15 Expenditure on General Fund services slipped in total by £15m, 9.1% of overall planned spend. The majority of slippage related to delays on the Depot Rationalisation programme, Early Years improvement projects and major carriageway and footway refurbishment, caused by factors largely beyond the Council's control. Acceleration in the programme of Asset Management Works, however, partly offset the slippage in these projects. Expenditure on the Housing Revenue Account slipped by £5.2m (6.7%), largely due to delays in on-site starts for new build projects.

Reserves

- 3.16 As at 31 March 2018, the General Fund reserves had risen to £151.285m, an increase of £8.674m relative to the preceding year. The adequacy and appropriateness of the level of reserves is reviewed annually by Council as part of the revenue budget process.
- 3.17 The increase in reserves mainly reflects differences between the timing of receipt of external funding and the related expenditure. Included amongst these is £2.682m of the Council's revenue grant funding for 2018/19 which was paid

by the Scottish Government in 2017/18 and £3.578m of permitted carry-forward of 2017/18 Pupil Equity Fund (PEF) monies. The overall increase also reflects the in-year surplus transferred to the Council Priorities Fund noted at 3.8 above.

3.18 The unallocated General Fund remains at £13.025m at 31 March 2018. The remaining balance of £138.260m is earmarked for specific purposes. These earmarked reserves are held for a number of reasons:

- Balances set aside to manage financial risks and for specific investment which are likely to arise in the medium-term future – examples include sums earmarked for maintenance of an insurance fund, building dilapidations, remedial works in buildings sharing similar design characteristics to the PPP1 schools estate and welfare reform. The Council holds £87.435m against these future risks.
- Balances set aside, primarily from grant income, due to timing differences between the receipt of service-specific income and contributions and the planned expenditure thereof, such as the Council Tax Discount Fund to support investment in affordable housing provision. The Council holds £41.717m of such income, a slight decrease on the previous year.
- Balances set aside to enable the Council to undertake investment in specific projects, such as Spend to Save, which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances. The Council holds £3.350m of balances for such projects.
- Balances held under the Devolved School Management scheme of £5.758m. This scheme permits balances held on individual school budgets to be carried forward to the following financial year. As noted above, the year-end balance also reflects permitted carry-forward of unallocated Pupil Equity Fund (PEF) funding, following its introduction in April 2017.

3.19 Details of these earmarked balances are shown in Appendix 3.

4. Measures of success

4.1 The Council receives an unqualified audit certificate from the External Auditor by 30 September 2018.

5. Financial impact

5.1 The report identifies where funding has been made available for known risks. The Council also holds unallocated General Fund reserves against the likelihood of unfunded risks occurring.

6. 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.

7. Equalities impact

- 7.1 There are no equalities impact implications arising directly from this report.

8. Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change or sustainable development arising directly from this report.

9. Consultation and engagement

- 9.1 The unaudited annual accounts will be published on the Council's website by 30 June 2018 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.

10. Background reading/external references

- 10.1 None.

Stephen S. Moir

Executive Director of Resources

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11. Appendices

One - Unaudited Annual Accounts, 2017/18

Two - Reconciliation of the Comprehensive Income and Expenditure Statement

Three - Revenue balances

2017/2018

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2018

CONTENTS

	Page
Management Commentary	2
Statement of Responsibilities for the Annual Accounts	17
Movement in Reserves Statement	18
Comprehensive Income and Expenditure Statement - Group	20
Comprehensive Income and Expenditure Statement - Council	21
Balance Sheet - Group	22
Balance Sheet - Council	24
Cash Flow Statement - Group	26
Cash Flow Statement - Council	27
Notes to the Financial Statements	28
Housing Revenue Account	129
Council Tax Income Account	132
Non-Domestic Rates Income Account	133
Common Good Fund	134
Annual Governance Statement	139
Remuneration Report	146
Independent Auditor's Report	159

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 2018.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 using the management structure as a reporting basis, which is the same basis as in the previous year.

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 over half a million citizens across the 102 square mile Council area.

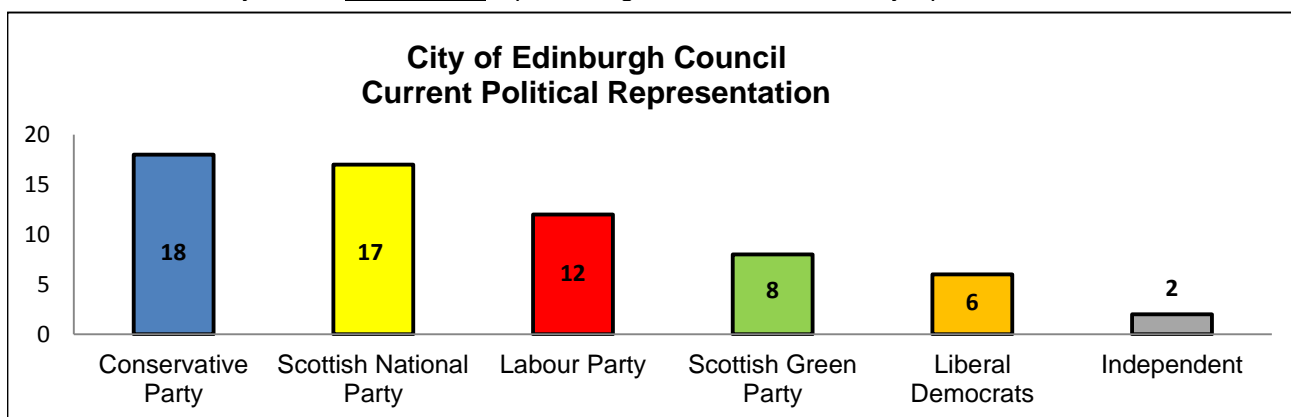
The Council has been undergoing a significant Transformation Programme which has revised the key services and their structure. The current structure is still evolving but the tables below indicate the latest position. For the period covered by these accounts, Safer and Stronger Communities was a separate service but it now sits within Communities and Families.

Communities and Families	Place	Health and Social Care
Schools and Lifelong Learning	Environment (inc. waste and parks)	Edinburgh Integration Joint Board
Children's social work	Transport (inc. parking)	Older people's services
Community education	Roads, bridges and flood prevention	Learning and Physical disabilities
Libraries and Sports	Housing and Regulatory Services	Mental Health
Early Years	Planning and building standards	Substance Misuse
Safer and Stronger Communities	Resources	Chief Executive
Community Justice	Customer Services and Information	Strategy and Insight
Homelessness services	Technology	Communications
Family and Household Support	Finance	
	Legal and Risk	
	Human Resources	
	Property and Facilities Management	

Further comprehensive detail of the services provided by the Council is included on its [website](#) and within the annual **Key Facts and Figures** publication.

There was a Local Government Election on 4 May 2017 which resulted in a change in political representation for the Council, with a new minority SNP and Labour administration formed.

The Council currently has 63 **Councillors** representing 17 wards within the city, split as follows:



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, for those in office during the financial year, are disclosed in the Remuneration Report from page 146 of these financial statements.

MANAGEMENT COMMENTARY

Demographic Trends

Edinburgh has seen significant recent population growth, with a 12.2% increase between 2006 to 2016, compared to a rise of 5.3% for Scotland. Analysis of population trends suggests that the city is likely to see further growth, with the total number of residents projected to increase by at least 80,000 people, or 16%, over the next twenty years. These projections show strong growth at both ends of the age spectrum, with the number aged 12 to 17 projected to increase by 23%, and those over 75 by 25%, by 2027. This growth will place further demand on a range of frontline services. In recognition of this additional demand, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities, although the ability to do so against a backdrop of real-terms funding reductions is becoming increasingly challenging.

A growing population is one of the most visible signs of the city's economic success. However, not all of our citizens share in that success and alongside our affluent areas, the city contains some of the most deprived communities in Scotland. Our estimates show that in 2016, almost 80,000 people in Edinburgh were living on incomes below the UK poverty threshold. These estimates, however, mask the depth of poverty and income inequality faced by the city's residents. Within the most deprived wards of our city as many as 30% of all residents live in households below the poverty threshold. Narrowing these gaps and allowing all residents to share in the city's success therefore forms a key strand of the City Vision.

Corporate Strategy

The **Programme for the Capital: Council Business Plan for 2017/22** describes the Council's commitments to the city, the strategic aims and outcomes, the challenges, how success will be measured and the future of the organisation. The plan sets out overlapping strategic themes common to the work of all service areas. The strategic aims, set out below are underpinned by the 52 commitments to the city.

- **Deliver an economy for all;**
- **Build for a future Edinburgh;**
- **Deliver a sustainable future;**
- **Deliver for our children and families; and**
- **Deliver a Council that works for all**

To deliver the vision and strategic aims, the Administration has set out 20 associated outcomes, these are shown in the diagram below. These outcomes link to the **52 commitments** to the city which will be prioritised over the duration of the plan and into the future.



A new **Council Performance Framework 2017-22** has been revised to support the implementation of the Council Business Plan 2017-22.

The framework will be reviewed annually and will include refreshing the measures, actions and milestones to ensure that the data collected is useful in terms of being able to measure performance and delivery.

MANAGEMENT COMMENTARY

Risks and Uncertainty

The **Corporate Leadership Team's** (CLT) prioritised risks reported to the Governance, Risk and Best Value Committee on 8 May 2018 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them.

A brief description of the top risks contained within the report is included below;

- 1 Health and Social Care** - Increased demand for services and associated demographic changes results in significant financial pressures which, when compounded by historic funding arrangements and traditional service models, creates a significant risk that the Council fails to implement and/or deliver appropriate health and social care arrangements, as required by the Edinburgh Integration Joint Board.
- 2 Capital asset management** - Due to the age of a number of properties across the Council's operational estate, there is risk that properties are not of a sufficiently safe and sustainable standard for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public.
- 3 ICT Capabilities** - Despite increased scrutiny, and robust performance and contract management arrangements within the Council, there is a risk that the level of ICT service provided to the Council by its external partner remains below that required for the Council to transform and enable its services digitally in an effective, efficient, and secure manner, or in line with planned savings.
- 4 Change** - Key deliverables, benefits and timescales for achieving change across the Council and third party suppliers may not be achieved in line with business expectations, governance and assurance requirements, budgets and resources.
- 5 Major Incident** - A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. Buildings, staff and/or systems are non-operational for a time, resulting in a reduced ability to deliver services.
- 6 Information Governance** - A loss of data from the Council's control could result in fines, claims, loss of public trust and reputational damage. This risk takes into account the new requirements arising from the new General Data Protection Regulation that took effect in May 2018.
- 7 Customer experience and expectations** - Customer dissatisfaction around delivery of citizen facing services (e.g. waste management, roads, etc.) may lead to an increase in complaints with consequential financial pressures and reputational damage.
- 8 Health and Safety** - There is a risk of non-compliance with the Council's legislative requirements and associated suite of health and safety policies and/or failure to comply with procedures or applicable legislation which could lead to an incident resulting in harm to staff, service users or members of the public, liability claims, regulatory breaches, fines and associated reputational damage.
- 9 Homelessness** - **There is a risk that** due to planned welfare changes, the introduction of Universal Credit, changes to the benefit payment process, and a buoyant private rented market, greater demands will be placed on homelessness services across the city that cannot be met.
- 10 Major Programme and Project Delivery and Assurance** - The Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects.
- 11 Tram Extension Project** - There are risks to the delivery of the proposed tram extension project, including reputational risks to the Council. Although the Council has not yet committed to this project it is now considered appropriate to report it as a risk.
- 12 Workforce Capacity and Capability** - The risk is that the Council is unable to recruit, retain, develop, engage and reward its employees effectively, including those in specialist roles to enable service delivery in a sustainable and affordable manner.
- 13 Housebuilding Programme** - Due to capacity within the house-building industry, the availability of suitable land, uncertainties around planning assumptions used in financial models (demographics, demand, economic factors etc.) there are risks to the delivery of the Council's housebuilding programme, including subsequent knock-on impacts in relation to Council income and reputation.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties

Per the April 2018 Accounts Commission Report, 'Local Government in Scotland Challenges and Performance 2018', all Councils in Scotland face further challenges and uncertainties. These have been noted as;

- The United Kingdom's decision to leave the European Union will have an impact on councils' work. The Council has set up a working group to plan for a number of scenarios to mitigate this risk, including potential impacts on availability of staffing for Council services.
- The Scottish Government is currently considering a local democracy bill. This is still at an early stage so the details and impact on the Council are not known.
- The Scottish Government aims to create a school and teacher led education system, where decisions and funding will be at school level and Regional Improvement Collaboratives (RICs) will provide support to schools.
- Councils and their partners are developing fresh approaches to financially empowering local communities and actively involving them in making decisions. For example, the Council is developing a case for the introduction of a Transient Visitor Levy.

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 continues to be reported each month to the Corporate Leadership Team and Executive Committees will consider an overview of performance relevant to their area, scrutinising indicators, improvement actions, issues and opportunities on an annual basis. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance.

Edinburgh-specific performance data for 2017/18 has also been provided through a range of other channels, including the Edinburgh People Survey, audits and inspections. Performance against a suite of local-level, outcome-focused "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

Council Performance and Best Value

Performance indicators that can be compared against other Scottish local authorities highlight improvement against a range of services, and 60% of indicators are in the top two quartiles for 2016/17.

The effectiveness of the Council's arrangements to secure best value is subject to regular assessment, both as an integral part of the annual financial statements audit and in greater depth through a Scotland-wide medium-term cycle of review. The key findings of the most recent assessment were reported to the Governance, Risk and Best Value Committee on 24 October 2016.

The Council's Annual Audit Report for 2016/17 concluded that there is a strong focus on addressing the Council's financial plans, with clear evidence of increasing levels of savings delivery, informed by robust and proactive scrutiny and challenge.

The Council's performance arrangements continue to provide a robust and comprehensive assessment of the delivery of its priority outcomes, assisted by the adoption of an organisation-wide workforce plan informed by good practice.

The council has a well-developed Financial Strategy that accounts for the impact of key service pressures such as demographic change, and areas of investment and development, including the City Regional Deal.

MANAGEMENT COMMENTARY

Financial Performance

Comparative Performance

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 2017/18 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2016/17 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.

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 21. 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 18 to 19).

An Expenditure and Funding Analysis has been provided to reconcile adjustments between the Council's financial performance under the funding position and the surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis can be found in Note 2 and the Expenditure and Income Analysed by Nature in Note 3.

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below.

	Budget	Actual	(Under)
	2017/18	2017/18	/ Over
	£000	£000	Spend
			£000
General Fund services	841,035	841,062	27
Centrally funded release costs	2,815	2,727	(88)
Dividend and other interest received	(9,545)	(10,274)	(729)
Loans charges / interest on revenue balances	111,762	110,545	(1,217)
Net contribution to earmarked balances	1,137	3,592	2,455
Total expenditure to be funded	947,204	947,652	448
Council Tax	(273,056)	(273,465)	(409)
Council Tax Reduction Scheme	26,672	24,217	(2,455)
Total - Council Tax income account	(246,384)	(249,248)	(2,864)
General revenue funding	(345,757)	(345,757)	0
Distribution from non-domestic rate pool	(355,063)	(355,063)	0
Funding	(947,204)	(950,068)	(2,864)
Transfer to Council Priorities Fund	0	(2,416)	(2,416)

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.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

The approved budget for 2017/18 was predicated on the delivery of £39.5m of service-specific and corporate savings. Throughout the financial year it was reported to Committee that there were underlying pressures within, in particular, the Health and Social Care and Safer and Stronger Communities services. In light of these pressures, a number of measures, including further tightening of workforce and financial controls, a review of discretionary expenditure and identification of other non-recurring income and expenditure savings, was initiated such that a balanced outturn for the year as a whole was delivered.

The Council's outturn position shows a net underspend against budget of £2.416m. This net position is attributable to two main factors:

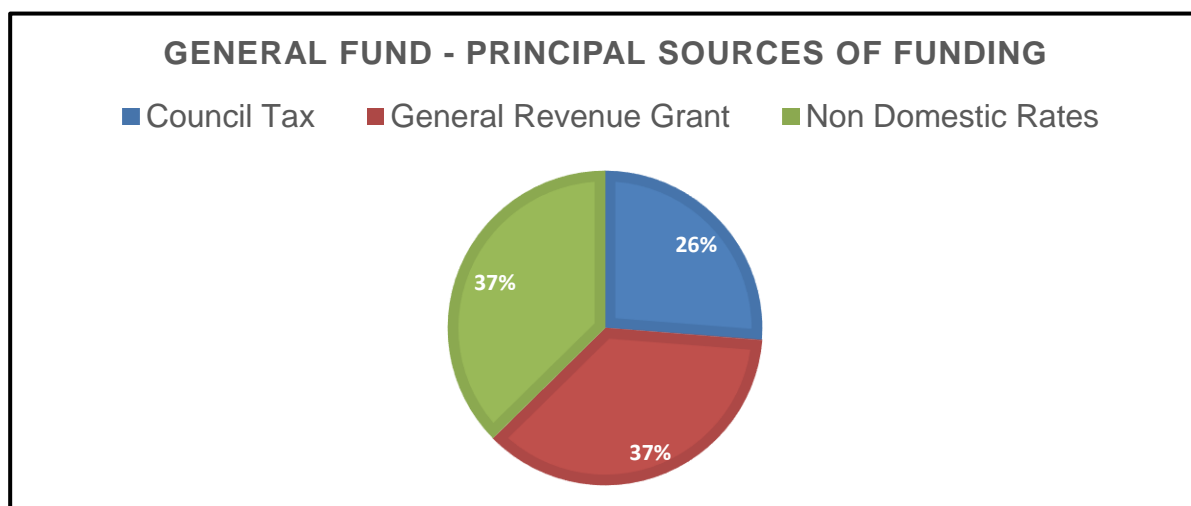
- There was an overspend within General Fund services of £0.027m. This position is expressed net of the £7.772m of supplementary funding made available during the year to address pressures within Health and Social Care and Safer and Stronger Communities, in turn reflecting additional Council Tax income relative to budget assumptions, savings in loan charge expenditure and a number of one-off contributions from earmarked funds.
- Net savings in loan charges (in excess of the savings supporting the additional expenditure above), mainly attributable to the Council's on-going strategy of using available cash balances in lieu of external borrowing, and additional interest and investment income received, together totalling £1.946m.

The net underspend of £2.416m has been set aside within the Council Priorities Fund.

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)	249,248
General revenue funding	345,757
Distribution from non-domestic rates pool	<u>355,063</u>
Total	<u>950,068</u>



MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

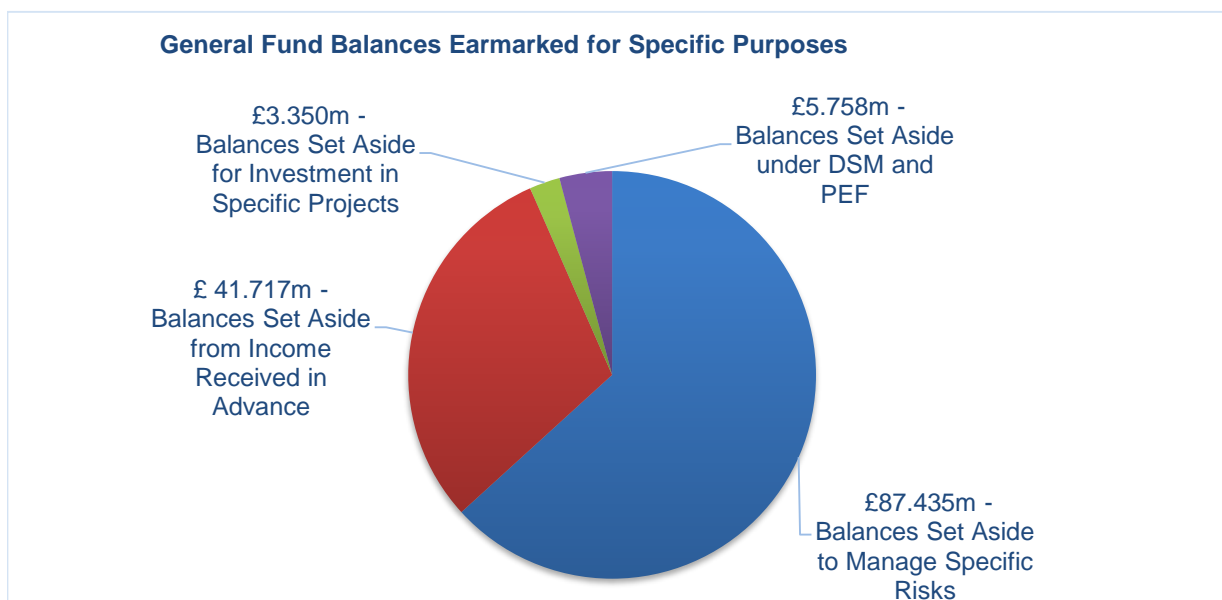
The Council's General Fund reserves comprise two elements:

- 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 February 2018, as part of the 2018/19 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 or actual contributions to the unallocated General Fund for 2017/18.

In addition, the Council has a further £138.260m of balances earmarked for specific purposes. Details can be seen in note 12 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, dilapidations related contractual commitments 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, such as Spend to Save. These savings are used, initially, to reimburse the earmarked balances.
- Balances held under the School Board Delegation Scheme (DSM) and Pupil Equity Fund (PEF), which permits balances on individual school budgets to be carried forward to the following financial year and academic years.

The increase in reserves from the previous year mainly reflects differences between the timing of receipt of external funding and the related expenditure. Included amongst these is an element of the Council's revenue grant funding for 2018/19 which was paid by the Scottish Government in 2017/18.

In summary, the level of reserves at 31 March 2018, 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 usable reserves; these are the Capital Grants Unapplied Account with a balance of £4.796m, the Capital Fund with a balance of £63.558m and the Renewal and Repairs Fund with a balance of £58.123m, including £16.930m of monies for schools prepaid under PPP arrangements.

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy and Loans Fund

The Annual Treasury Strategy 2017/18 was approved on 23 February 2017.

The Annual Treasury Strategy 2018/19 was approved on 15 March 2018. This Treasury Strategy aims to:

- ensure that the Council has sufficient and appropriate facilities available to meet its short and long-term borrowing requirements and funding needs;
- secure new funding at the lowest cost; and
- ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks.

Annual Treasury Strategy 2018/19 Key Points

- the Council's total capital expenditure is forecast to be £1.361 billion between 2018/19 and 2022/23;
- the opportunity to mitigate future interest rate risk with alternatives to the PWLB will continue to be sought and the risk locked out where appropriate;
- the Council's underlying need to borrow at 31 March 2023 is forecast to be £1.828 billion; and
- between 1 April 2018 and 31 March 2023, £258m of the Council's external debt is due to mature.

On-Going and Future Developments

Transformation Programme and Change Strategy

The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council 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.

As at 24 May 2018, staff accounting for approximately 983 FTE have left or are confirmed to be leaving the organisation under Voluntary Early Release Arrangements (VERA) or Voluntary Redundancy (VR) arrangements, under the Transformation Programme. The one-off cost associated with these cases is £41.5m and the overall payback is 13.4 months, which is in line with the original planning assumptions.

Budget framework

On **22 February 2018**, the Council set a balanced budget for 2018/19. As in 2017/18, delivery of approved savings and prompt identification and management of underlying or emerging risks and pressures will be key to maintaining financial stability in the coming year.

Change Strategy

The Council has delivered over £240m of recurring savings since 2012/13, equivalent to around 25% of its net budget. This has allowed the combined financial challenges of increasing demographic-led service demand, inflationary pressures and legislative reform to be addressed whilst steadily improving performance across many areas. However, there is a need to place much greater focus on service transformation and prioritisation, designed using insight from active engagement from citizens, communities and elected members.

The Council's Change Strategy has therefore identified three key themes of (i) providing high-quality services at the right level, (ii) moving Edinburgh to a radical preventative agenda and (iii) achieving sustainable inclusive growth, to improve services whilst securing longer-term financial sustainability. In recognising that such a transformational shift can only be achieved over the medium- to longer-term, however, a staged approach will be adopted, with a suite of shorter-term measures identified to provide necessary financial breathing space in 2019/20 to provide the foundation for this more fundamental longer-term change.

Equality and Rights

The Council's second Equality, Diversity, and Rights Framework covers the period 2017-21. Central to the Framework is the ambition to better engage and empower citizens, communities and employees who share the protected characteristics.

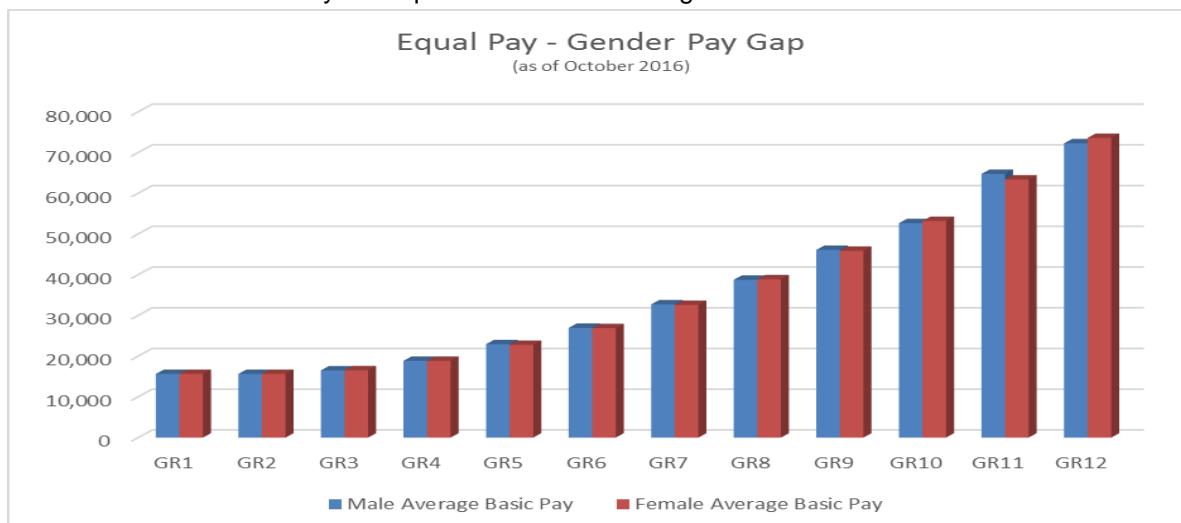
The Council is committed to the principle that all employees should receive equal pay for doing equal work, or work of equal value, regardless of age, sex, race, disability status, sexual orientation, religion or belief, working pattern, employment status, caring responsibilities or trade union membership. It is also an equal opportunities employer and positively values the different backgrounds, perspectives and skills that a diverse workforce brings to the Council.

MANAGEMENT COMMENTARY

Financial Performance - continued

Equality and Rights - continued

The analysis below has indicated that the gender pay gap in the Council for all grades is within the + or – 3% threshold recommended by the Equalities and Human Rights Commission Scotland.



Local Development Plan

The **Edinburgh Local Development Plan (LDP)** was adopted on 24 November 2016. To support the growth of Edinburgh and to ensure the city grows in a sustainable way, new infrastructure provision and enhancements associated with new development (particularly additional school, transport and green space provision) must be delivered. The Council has identified the infrastructure actions required to help deliver the growth and these are set out in the LDP Action Programme.

While an element of this capital-related infrastructure requirement, estimated at around £450m, will be met through developers' contributions, a range of other potential funding options, including borrowing by the Council, are being considered to address the shortfall.

The most recent update was considered by the Finance and Resources Committee on **23 January 2018**.

Edinburgh and South-East Scotland Region City Deal

The City Region Deal brings together local authorities and public sector partner organisations across the South-East of Scotland and serves as a mechanism for accelerating growth by pulling in significant government investment.

The City Region Deal is also about providing greater autonomy and decision-making powers for the region to help partners deliver public services more effectively and to tackle inequality and deprivation. **A £1.1bn deal** from the UK and Scottish Governments was confirmed on 20 July 2017. Both governments are committed to jointly investing £600m over the next 15 years and regional partners have committed to adding up to £500m. In addition, it is anticipated the deal will generate over £5bn worth of Gross Value Added (GVA) over the same period.

Welfare Reform

The most recent update on Welfare Reform was considered by the Corporate Policy and Strategy Committee on **27 February 2018**.

The Council continues to support citizens through the changes and challenges resulting from welfare reform. The Welfare Reform Core Group meets quarterly to agree the delivery of the key actions to achieve the outcomes of mitigating risks of hardship and worsening inequality, providing targeted and tailored support to vulnerable individuals and families and responding promptly and effectively to crisis needs for housing, heat and food.

As part of the Universal Credit (UC) live service, UC has been available to new, single claimants in Edinburgh, who would previously have been eligible for Job Seekers Allowance. As a result of the Chancellor's Autumn budget on 23 November 2017, no new claims will now be accepted for the UC live service. This decision will allow DWP to concentrate on the implementation of 'full service UC'. In addition the rollout of full service UC in Edinburgh has been rescheduled from June to October 2018.

MANAGEMENT COMMENTARY

Financial Performance

Financial Ratios

Financial ratios relating to Council Tax, debt and borrowing are shown below.

Council Tax	2017/18	2016/17	Notes on Ratios
In-year collection rate	96.78%	96.42%	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	26.20%	23.50%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS). The increase is mainly due to the introduction of revised multipliers for higher value properties.
Debt and Borrowing - Prudence			Notes on Ratios
Capital Financing Requirement	£1,575.9m	£1,610.0m	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	£1,476.4m	£1,543.3m	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	11.64%	11.92%	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	33.83%	34.48%	
Impact of capital investment on Council Tax	-0.60%	-0.55%	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	-2.78%	-1.62%	

MANAGEMENT COMMENTARY

Financial Performance - continued

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.

In February 2017, the Council approved the five year Housing Revenue Account Budget Strategy. This budget was set to accelerate the strategy previously approved by Council for 2016/17. The two main aims of the strategy are to expand and accelerate the Council's affordable and low cost house-building programme and, secondly, to prioritise investment in services that reduce the cost of living for tenants.

This strategy has been informed and expanded based on extensive consultation with tenants on their priorities for future investment and rent levels. Many Council tenants are experiencing real and significant financial hardship and there are not sufficient homes being built to meet current need and demand. In response to this the investment strategy included the significant expansion of the Council's affordable homes programme from 3,000 to 8,000 over the next ten years. The city's main developing housing associations agreed to match the Council's house-building target and collectively deliver 16,000 new affordable and low cost homes over the next ten years. Subsequently, in February 2018, the Council approved a revised HRA budget strategy that increased the house building ambition from 16,000 to 20,000 new homes within 10 years, making it one of the largest affordable house-building programmes in the UK.

Delivery in 2017/18 has been strong. There were over 2,000 Council and housing association homes under construction on 32 sites across the city at the end of 2017. The Council's house building programme continues to expand, with around 1,600 homes completed or under construction this year. A further 3,000 homes are in design and development stage.

Progress on measures to reduce tenants' cost of living has also been strong. Over the last five years almost half of all Council homes have benefited from the installation of new heating systems, insulation or other energy efficiency measures. In addition, over 8,000 tenants have had their heating systems modernised over the last five years. By 2020 all homes will have benefited from internal modernisation programmes. The commitment to replace all kitchens and bathrooms over 20 years old by 2020 is on track to be delivered in 2019, a year ahead of schedule. All Council homes need to meet the Energy Efficiency Standard for Social Housing (EESH) by 2020. 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. New initiatives such as the tenants discount card, low cost energy, energy advisers and employment opportunities for tenants have been introduced. Other initiatives such as the community gardens programme, digital access, online repairs reporting and flexible payment options will be further expanded in 2018/19.

The majority of the delivery of the 2017/18 capital investment programme is through the Housing Asset Management framework. The 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 framework also gives the Council more flexibility and includes performance measures enabling robust contract management.

Recognising the financial hardship facing its customers the Housing Service has started a process of changing the way it works with tenants and the communities in which they live. These changes include: (1) Patch based working - replacement of specialist teams with patch teams, where generic housing officers working with an average of 200 tenants each; (2) Integrated locality teams - co-location of property and housing management teams in localities; (3) Good neighbour campaigns - establish an annual campaign to recognise and reward tenants and residents who support their neighbours and look after their communities; (4) Reducing energy costs - partner with Our Power, a not-for-profit member owned energy company to provide low cost energy and pilot an energy advice service based in localities; and (5) Employment opportunities for tenants: Expansion of modern apprenticeship in the Housing Service and targeted support for tenants and their families to find secure and long term employment.

MANAGEMENT COMMENTARY

Financial Performance - continued

Housing Revenue Account - continued

The capital programme is funded mainly through prudential borrowing; however capital receipts, capital funded from current revenue and grants (e.g. Home Energy Efficiency Programme Scotland and Affordable Housing Supply Programme) 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. The investment strategy continues to reflect tenants' priorities. In 2015 tenants indicated strong support for the budget strategy and identified building new affordable homes as their top priority for investment. Other significant priorities included reducing energy costs. In 2016, 82% of tenants said they supported the 2% rent increase with one third of tenants supporting higher rent increases if delivery is accelerated. In 2017, 80% of tenants expressed support for the investment proposals and rent strategy, which aims to expand and accelerate the development of affordable and low-cost housing; continue to modernise existing Council homes and neighbourhoods; and transformation of front line services to tenants to tackle inequality and reduce their cost of living.

In line with the HRA Business Plan, at the end of 2017/18 the HRA was balanced after making a contribution of £0.438m to the Renewal and Repairs Fund and £9.042m towards in-year capital investment. The funds held in the Renewal and Repairs Fund are earmarked for investment in existing housing stock and future capital investment in new homes through the Council's own housing development programme.

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:

	Revised Budget 2017/18 £000	Actual 2017/18 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	165,143	150,143	(15,000)
Housing Revenue Account	<u>78,004</u>	<u>72,816</u>	<u>(5,188)</u>
Total capital expenditure	<u>243,147</u>	<u>222,959</u>	<u>(20,188)</u>
Capital receipts and other contributions			
- General Fund services	(40,207)	(31,277)	8,930
- Housing Revenue Account	(27,937)	(32,688)	(4,751)
Government and other grants			
- General Fund services	(105,028)	(104,350)	678
- Housing Revenue Account	<u>(7,075)</u>	<u>(5,050)</u>	<u>2,025</u>
Total capital income	<u>(180,247)</u>	<u>(173,365)</u>	<u>6,882</u>
Balance to be funded through borrowing			
- General Fund services	19,908	14,516	(5,392)
- Housing Revenue Account	<u>42,992</u>	<u>35,078</u>	<u>(7,914)</u>
Total advances from loans fund	<u>62,900</u>	<u>49,594</u>	<u>(13,306)</u>

Expenditure on General Fund services slipped in total by £15.00m. The majority of slippage related to delays on the Depot Rationalisation programme, Early Years improvement projects and major carriageway and footway refurbishment, caused by factors largely out with the Council's control, however acceleration in the programme of Asset Management Works partly offset the slippage in these projects. Expenditure on the Housing Revenue Account slipped by £5.188m largely due to delays in on site starts for new build projects.

The Council received £53.696m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure - continued

Capital expenditure for the year totalled £222.959m. Major capital projects undertaken during the year included:

- Educational properties - £43.031m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £72.816m;
- Social housing through the housing development fund - £40.693m;
- Roads, carriageways and other infrastructure - £29.120m;
- Health and Social Care establishments - £0.583m;
- Depot Rationalisation Programme - £4.088m;
- Cultural, Sporting and other Recreational venues - £10.207m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £6.470m.

Group Accounts

CEC Holdings Ltd

- **EDI Group Ltd (subsidiary of CEC Holdings Ltd)**

The EDI Group was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now regarded as one of the principal business parks in Europe. Since then, the company has grown steadily, developing land and property on its own or through joint ventures with developers, landowners, local authorities and other public sector bodies.

In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market. For land and buildings which are no longer being used for Council activities, the Council has concluded that the default position will be that the land or building is used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, the Council has concluded that in the longer term it should not have an arm's length development company. The Council has therefore now instructed the directors to begin a process of closure, with the majority of land transferring to the Council and most of the staff leaving the company in June 2018. The company will continue to trade into 2019 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

- **Edinburgh International Conference Centre (EICC) Ltd (subsidiary of CEC Holdings Ltd)**

EICC Ltd operates a prime conference venue in the centre of Edinburgh. The Centre was built in 1995 and since that time has welcomed 1.3 million delegates from more than 120 countries, generating £600m of economic impact for the city region.

In 2017, the Centre made a profit before tax from continuing operations of £0.579m, (2016 loss £0.127m). Notwithstanding the continuing pressure on clients' budgets, increased competition from a growing number of conference centres worldwide and aggressive price competition from venues across the globe, the year to 31 December 2017 saw a marked improvement in the Company's operating profitability. The Company's revenues for the year amounted to £7.919m, which was an increase of £0.754m on the previous year and generated a gross profit of £1.137m, an increase of 107.48%.

Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board was formally delegated the functions and resources of the Council's Health and Social Care Service and NHS Lothian's Community Health Partnership, with effect from 1 April 2016. At that time an assessment was undertaken on the relationship of the Council with the Edinburgh Integration Joint Board and on the basis of level of control, being fifty percent Board representation, and wider materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2018, see note 9.3.

The Board was in the second year of implementing its three year strategic plan, which sets out how the health and social care services delegated by the City of Edinburgh Council and NHS Lothian will be developed and changed over the period to meet the changing needs of the population and achieve better outcomes for people. The budget of around £700m will fund community health and social care services, including GP practices and some elements of acute hospital services.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Lothian Valuation Joint Board (LVJB)

The Board reported an unaudited overall outturn overspend of £0.213m against a revised budget of £6.118m during 2017/18, which will be funded from funds carried forward. The primary reason for the reported position against budget was due to a one-off Voluntary Redundancy cost which was partly off-set by savings on Rates, ICT and postages. The cost of Individual Electoral Registration (IER) was fully funded by a grant, against which an underspend of £0.350m was carried forward to 2018/19 to mitigate the risk of sudden removal of Cabinet Office funding.

Looking forward, LVJB faces a number of financial and operational risks including:

- Some uncertainty over continuing Cabinet Office funding support for IER;
- Pressures arising from the Scottish Government led change from a five yearly revaluation to a three year cycle from 2022, as recommended by the Barclay Review of NDR;
- Concerns over the viability of the Council Tax system in future years;
- Pressures on current levels of resources to resolve appeals arising from the 2017 Revaluation within the statutory timetable; and
- Continuing pressure on the level of grant and other funding available to the Board's constituent authorities.

Capital Theatres (formerly Festival City Theatres Trust)

2017/18 saw another positive year for the Trust, with an exciting and growing programme of work.

The Trust changed its name to Capital Theatres on 28 February 2018 to reflect the organisation's growth and to establish a brand for the Trust's three venues – the Festival Theatre, King's Theatre and The Studio. The three venues have welcomed a varied and thought-provoking collection of productions over the last year.

The Festival Theatre recently underwent a refurbishment exercise to replace all its ageing chairs and a major transformation project is at the planning stage for the refurbishment and development of the King's Theatre.

The Trust achieved record sales and attendances during the Christmas season and also welcomed four local amateur companies to perform their shows on stage. The theatres hosted a plethora of shows throughout the year ranging from Scottish opera, dance performances, musicals, international festivals to films.

The pioneering work with the Life Changes Trust dementia project will continue for a further two years after receiving additional funding which has been matched by the Trust.

Edinburgh Leisure

Edinburgh Leisure operates over fifty sport and leisure facilities across the city on behalf of the Council, attracting over four million visits each year, with the aim of inspiring Edinburgh to become a more active and healthy city. The range of facilities includes sport and leisure centres, swim centres, golf courses, tennis courts, bowling greens and sports pitches.

In 2017/18, an underlying surplus on unrestricted funds of £0.487m was achieved against a backdrop of increasing competition, increasing cost pressures and a reduced payment for service from the Council.

Edinburgh Leisure continues to work with the Council and other stakeholders on a range of projects, including providing Steady Steps classes for older adults who are at the risk of falling and the launch of the Movement for Memories project to support people living with dementia to get active. Edinburgh Leisure now processes bookings for all High School sport facilities as part of the Community Access to Schools programme.

Transport for Edinburgh Ltd

The core purpose of Transport for Edinburgh Ltd (TfE) is to deliver a high-quality and integrated transport service for the city. It also delivers profit through a strong commercial focus and drive for efficiency across all of its activities. TfE's long-term vision is to be an integral part of the future success of the city and the Lothians, by providing world-class, environmentally-friendly and socially-inclusive public transport.

The Group retained a substantial share of the local public transport market in Edinburgh and the Lothians. Year-on-year revenue increased by 5.8%, with a profit from operations margin of 7.3% or £8.9m net after tax. The Group faced significant operating and cost pressures in 2017 and expects these pressures to persist in 2018, however, the Group will remain proactive in seeking to relieve their impact

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Trusts

International Conference Centre Expenditure and Income Trusts

The Trusts were set up in 1992 for the purpose of holding funds from the Council and from the sale of land at the Edinburgh International Conference Centre site, to further develop the Conference Centre, as set out in Note 10. The Trustee for both Trusts was the Bank of Scotland and until this year they held and managed the funds on behalf of the Trusts.

During 2017/18 the bank opted to resign as Trustee and a review was undertaken to establish a suitable means to manage the funds on an ongoing basis. It was determined that the Council could manage this in-house going forward and the majority of the funds were transferred to the Council by 31 March 2018, with a small amount of interest being transferred after the year end date, at which point the Trusts were discharged.

The former Expenditure Trust has £4.028m held and managed in accordance with the Treasury Management Strategy of the Council, as detailed on Page 9. These monies are earmarked to support the future capital works of the EICC Limited.

The former Income Trust has £0.795m held on reserves on the Council's balance sheet.

Group

Net assets for 2017/18 include a combined group pension liability of £474.652m (2016/17 £722.078m), 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 2018. 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 is the Head of Finance
- 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 2018.

HUGH DUNN, CPFA
Head of Finance
Section 95 Officer

15 June 2018

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.

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	
2017/18				
Balance at 31 March 2017	142,611	0	64,149	
Movement in reserves during 2017/18				
Total Comprehensive Income and Expenditure	(84,094)	14,659	0	
Adjustments between accounting basis and funding basis under regulations (Note 11)	95,784	(23,701)	0	
Net (increase) / decrease before transfers to statutory reserves	11,690	(9,042)	0	
Transfer (to) / from other statutory reserves (Note 12.3)	(3,016)	9,042	(6,026)	
Increase / (decrease) in year	8,674	0	(6,026)	
Balance at 31 March 2018	151,285	0	58,123	
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2017/18				
Balance at 31 March 2017	766	61,178	268,704	28,516
Movement in reserves during 2017/18				
Total Comprehensive Income and Expenditure	0	0	(69,435)	57,287
Adjustments between accounting basis and funding basis under regulations (Note 11)	4,030	2,379	78,492	0
Net (increase) / decrease before transfers to statutory reserves	4,030	2,380	9,058	57,287
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	(3,031)
Increase / (decrease) in year	4,030	2,380	9,058	54,256
Balance at 31 March 2018	4,796	63,558	277,762	82,772
	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2017/18				
Balance at 31 March 2017	297,220	1,511,573	109,802	1,918,595
Movement in reserves during 2017/18				
Total Comprehensive Income and Expenditure	(12,148)	464,194	3,182	455,228
Adjustments between accounting basis and funding basis under regulations (Note 11)	78,492	(78,492)	0	0
Net (increase) / decrease before transfers to statutory reserves	66,344	385,702	3,182	455,228
Transfer (to) / from other statutory reserves (Note 12.3)	(3,031)	0	3,031	0
Increase / (decrease) in year	63,313	385,702	6,213	455,228
Balance at 31 March 2018	360,533	1,897,275	116,015	2,373,824

MOVEMENT IN RESERVES STATEMENT

Re-stated 2016/17 Comparative Data	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	
Balance at 31 March 2016	<u>128,396</u>	<u>0</u>	<u>38,194</u>	
Movement in reserves during 2016/17				
Total Comprehensive Income and Expenditure	(3,765)	17,995	0	
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>31,286</u>	<u>(6,109)</u>	<u>0</u>	
Net (increase) / decrease before transfers to statutory reserves	27,521	11,886	0	
Transfer (to) / from other statutory reserves (Note 12.3)	<u>(13,306)</u>	<u>(11,886)</u>	<u>25,955</u>	
Increase / (decrease) in year	<u>14,215</u>	<u>0</u>	<u>25,955</u>	
Balance at 31 March 2017	<u>142,611</u>	<u>0</u>	<u>64,149</u>	
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
Balance at 31 March 2016	<u>2,657</u>	<u>68,793</u>	<u>238,040</u>	<u>40,418</u>
Movement in reserves during 2016/17				
Total Comprehensive Income and Expenditure	0	0	14,230	(12,522)
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>(1,891)</u>	<u>(7,615)</u>	<u>15,671</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	(1,891)	(7,615)	29,901	(12,522)
Transfer (to) / from other statutory reserves (Note 12.3)	<u>0</u>	<u>0</u>	<u>763</u>	<u>620</u>
Increase / (decrease) in year	<u>(1,891)</u>	<u>(7,615)</u>	<u>30,664</u>	<u>(11,902)</u>
Balance at 31 March 2017	<u>766</u>	<u>61,178</u>	<u>268,704</u>	<u>28,516</u>
	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	<u>278,458</u>	<u>1,731,418</u>	<u>108,366</u>	<u>2,118,242</u>
Movement in reserves during 2016/17				
Total Comprehensive Income and Expenditure	1,708	(203,411)	2,056	(199,647)
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>15,671</u>	<u>(15,671)</u>	<u>0</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	17,379	(219,082)	2,056	(199,647)
Transfer (to) / from other statutory reserves (Note 12.3)	<u>1,383</u>	<u>(763)</u>	<u>(620)</u>	<u>0</u>
Increase / (decrease) in year	<u>18,762</u>	<u>(219,845)</u>	<u>1,436</u>	<u>(199,647)</u>
Balance at 31 March 2017	<u>297,220</u>	<u>1,511,573</u>	<u>109,802</u>	<u>1,918,595</u>

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 2018

Re-stated 2016/17 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
351,651	Communities and Families		385,752	(28,983)	356,769
140,258	Place		334,154	(177,596)	156,558
(28,160)	Housing Revenue Account		76,097	(102,459)	(26,362)
188,959	Health and Social Care		481,579	(279,186)	202,393
157,130	Resources		275,297	(43,647)	231,650
41,920	Chief Executive		13,331	(2,198)	11,133
25,621	Safer and Stronger Communities		83,697	(51,334)	32,363
3,744	Lothian Valuation Joint Board		3,629	0	3,629
(369)	Net cost of benefits		190,000	(190,625)	(625)
15,610	Early release costs		2,815	0	2,815
2,248	Other non-service specific costs		24,959	1,200	26,159
(13,947)	Subsidiary Companies		169,606	(177,460)	(7,854)
884,665	COST OF SERVICES		<u>2,040,916</u>	<u>(1,052,288)</u>	988,628
(12,009)	Other Operating Income	13.			5,263
93,155	Financing and Investment Income and Exp.	14.			93,901
(994,670)	Taxation and Non-Specific Grant Income	15.			(1,026,666)
(28,859)	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				61,126
273	Associates and Joint Ventures Accounted for on an Equity Basis				3,339
1,895	Taxation of Group entities	15.			2,108
(26,691)	GROUP (SURPLUS) / DEFICIT				<u>66,573</u>
(40,474)	Surplus on Revaluation of Non-Current Assets			(233,381)	
(16)	(Surplus) on Revaluation of Available for Sale Financial Assets			(14)	
(428,706)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			123,216	
672,917	Changes in Financial and Demographic Assumptions / Other Experience			(351,217)	
22,617	Other Unrealised (Gains) / Losses			(60,405)	
226,338	Other Comprehensive Income and Expend.				(521,801)
199,647	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				<u>(455,228)</u>

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 2018

Re-stated 2016/17			Gross Expend.	Income	Net Expend.
£000	SERVICES	Notes	£000	£000	£000
351,651	Communities and Families		385,752	(28,983)	356,769
140,258	Place		334,154	(177,596)	156,558
(28,160)	Housing Revenue Account		76,097	(102,459)	(26,362)
188,959	Health and Social Care		481,579	(279,186)	202,393
157,130	Resources		275,297	(43,647)	231,650
41,920	Chief Executive		13,331	(2,198)	11,133
25,621	Safer and Stronger Communities		83,697	(51,334)	32,363
3,744	Lothian Valuation Joint Board		3,629	0	3,629
(369)	Net cost of benefits		190,000	(190,625)	(625)
15,610	Early release costs		2,815	0	2,815
2,248	Other non-service specific costs		24,959	1,200	26,159
898,612	COST OF SERVICES		1,871,310	(874,828)	996,482
(12,061)	Other Operating Income	13.			5,292
93,889	Financing and Investment Income and Exp.	14.			94,327
(994,670)	Taxation and Non-Specific Grant Income	15.			(1,026,666)
(14,230)	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				69,435
(40,473)	Surplus on Revaluation of Non-Current Assets			(233,381)	
(428,706)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			123,216	
672,917	Changes in Financial and Demographic Assumptions / Other Experience			(351,217)	
(327)	Other Unrealised (Gains) / Losses			(2,812)	
203,411	Other Comprehensive Income and Expend.				(464,194)
189,181	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				(394,759)

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
189,181	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(394,759)
(6,197)	Subsidiary and associate transactions included in the Council's CIES	(6,959)
10,030	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(49,758)
6,633	Associates and Joint Ventures	(3,752)
199,647	Group total Comprehensive (Income) / Expenditure for the year	(455,228)

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 2017 £000		Notes	31 March 2018 £000	£000
2,665	Intangible Assets	18.		1,444
1,024,223	Council Dwellings		1,029,398	
1,715,608	Other Land and Buildings		1,938,501	
171,153	Vehicles, Plant, Furniture and Equipment		181,168	
835,684	Infrastructure Assets		798,235	
14,562	Community Assets		14,050	
2,421	Surplus Assets		1,421	
53,096	Assets under Construction		<u>56,299</u>	
<u>3,816,747</u>	Property, Plant and Equipment	16.		4,019,072
16,821	Investment Properties	17.		18,321
31,127	Heritage Assets	19.		30,885
13,498	Assets Held for Sale	24.		11,178
726	Available for Sale Financial Assets			619
351	Deferred Tax			0
0	Other Long-Term Assets (Pension)			59,466
11,970	Long-Term Investments			8,288
32,188	Investments in Associates and Joint Ventures			29,823
106,970	Long-Term Debtors	22.		<u>99,830</u>
<u>4,033,063</u>	Long-Term Assets			<u>4,278,926</u>
26,477	Short-Term Investments		21,757	
29,359	Assets Held for Sale	24.	11,528	
967	Available for Sale Financial Assets	20.	26,836	
16,166	Inventories	21.	13,958	
100,939	Short-Term Debtors	22.	130,201	
159,831	Cash and Cash Equivalents	23.	<u>137,020</u>	
<u>333,739</u>	Current Assets			341,300
(70,334)	Short-Term Borrowing		(70,945)	
(167,067)	Short-Term Creditors	25.	(176,792)	
(12,863)	Provisions	26.	<u>(29,272)</u>	
<u>(250,264)</u>	Current Liabilities			<u>(277,009)</u>

GROUP BALANCE SHEET

Re-stated 31 March 2017		31 March 2018	
£000	Notes	£000	£000
(1,243,891)	Long-Term Borrowing	(1,190,616)	
(205,700)	Other Long-Term Liabilities	(204,719)	
(5,490)	Deferred Tax	(16,452)	
(22,707)	Deferred Liability	20. (25,223)	
(9,573)	Liabilities in Associates and Joint Ventures	(3,457)	
<u>(710,582)</u>	Other Long-Term Liabilities (Pensions)	<u>(528,926)</u>	
<u>(2,197,943)</u>	Long-Term Liabilities		<u>(1,969,393)</u>
<u>1,918,595</u>	Net Assets		<u>2,373,824</u>
873,986	Revaluation Reserve	1,073,085	
1,402,884	Capital Adjustment Account	1,410,777	
(45,390)	Financial Instruments Adjustment Account	(43,467)	
(705,786)	Pensions Reserve	(528,359)	
(14,121)	Employee Statutory Adjustment Account	(14,761)	
<u>109,802</u>	Group Unusable Reserves	<u>116,015</u>	
<u>1,621,375</u>	Unusable Reserves	28.	2,013,290
766	Capital Grants Unapplied Account	4,796	
61,178	Capital Fund	63,558	
64,149	Renewal and Repairs Fund	58,123	
142,611	General Fund	151,285	
<u>28,516</u>	Group Usable Reserves	<u>82,772</u>	
<u>297,220</u>	Usable Reserves	12.	360,534
<u>1,918,595</u>	Total Reserves		<u>2,373,824</u>

The unaudited accounts were issued on 15 June 2018.

HUGH DUNN, CPFA
Head of Finance
15 June 2018

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 2017 £000		Notes	31 March 2018 £000	£000
2,665	Intangible Assets	18.		1,444
1,024,223	Council Dwellings		1,029,398	
1,684,809	Other Land and Buildings		1,907,900	
94,981	Vehicles, Plant, Furniture and Equipment		88,502	
834,928	Infrastructure Assets		797,768	
14,562	Community Assets		14,050	
2,421	Surplus Assets		1,421	
53,096	Assets under Construction		<u>56,299</u>	
<u>3,709,020</u>	Property, Plant and Equipment	16.		3,895,338
16,471	Investment Properties	17.		17,891
31,127	Heritage Assets	19.		30,885
13,498	Assets Held for Sale	24.		11,178
23,436	Long-Term Investments			20,280
<u>111,684</u>	Long-Term Debtors	22.		<u>106,275</u>
<u>3,907,901</u>	Long-Term Assets			<u>4,083,291</u>
25,709	Short-Term Investments		20,722	
29,359	Assets Held for Sale	24.	11,528	
967	Available for Sale Financial Assets	20.	26,836	
3,048	Inventories	21.	2,513	
88,397	Short-Term Debtors	22.	113,922	
<u>133,142</u>	Cash and Cash Equivalents	23.	<u>113,405</u>	
<u>280,622</u>	Current Assets			288,926
(70,334)	Short-Term Borrowing		(70,946)	
(140,196)	Short-Term Creditors	25.	(149,750)	
<u>(10,551)</u>	Provisions	26.	<u>(25,431)</u>	
<u>(221,081)</u>	Current Liabilities			(246,127)

BALANCE SHEET

Re-stated 31 March 2017 £000		Notes	31 March 2018	
			£000	£000
(1,254,590)	Long-Term Borrowing	20.	(1,201,404)	
(204,082)	Other Long-Term Liabilities	20.	(196,067)	
(22,707)	Deferred Liability	20.	(25,223)	
<u>(705,786)</u>	Other Long-Term Liabilities (Pensions)	43.9	<u>(528,359)</u>	
<u>(2,187,165)</u>	Long-Term Liabilities			<u>(1,951,053)</u>
<u>1,780,277</u>	Net Assets			<u>2,175,037</u>
873,986	Revaluation Reserve		1,073,085	
1,402,884	Capital Adjustment Account		1,410,777	
(45,390)	Financial Instruments Adjustment Account		(43,467)	
(705,786)	Pensions Reserve		(528,359)	
<u>(14,121)</u>	Employee Statutory Adjustment Account		<u>(14,761)</u>	
<u>1,511,573</u>	Unusable Reserves	28.		1,897,275
766	Capital Grants Unapplied Account		4,796	
61,178	Capital Fund		63,558	
64,149	Renewal and Repairs Fund		58,123	
<u>142,611</u>	General Fund		<u>151,285</u>	
<u>268,704</u>	Usable Reserves	12.		277,762
<u>1,780,277</u>	Total Reserves			<u>2,175,037</u>

The unaudited accounts were issued on 15 June 2018.

HUGH DUNN, CPFA
Head of Finance
15 June 2018

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.

Re-stated 2016/17 £000		Year ended 31 March 2018	
		Notes	£000
	Operating Activities		
(28,859)	Surplus on the Provision of Services		61,126
1,895	Adjustment to Surplus / (Deficit) for Taxation of Group entities		2,108
(168,076)	Adjustments to Surplus on the Provision of Services for non-cash movements		(290,424)
(39,444)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities		(17,303)
<u>(234,484)</u>	Net cash flows from operating activities	29.	<u>(244,493)</u>
	Investing Activities		
140,572	Net cash flows from investing activities	31.	202,752
	Financing Activities		
<u>52,793</u>	Net cash flows from financing activities	32.	<u>64,552</u>
<u>(41,119)</u>	Net increase in cash and cash equivalents		<u>22,811</u>
<u>(118,712)</u>	Cash and cash equivalents at 1 April		<u>(159,831)</u>
<u>(159,831)</u>	Cash and cash equivalents at 31 March	23.	<u>(137,020)</u>
<u>(41,119)</u>	Net increase in cash and cash equivalents		<u>22,811</u>

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.

Re-stated 2016/17 £000		Year ended 31 March 2018	
		Notes	£000
	Operating Activities		
(14,230)	Surplus on the Provision of Services		69,435
(153,963)	Adjustments to Surplus on the Provision of Services for non-cash movements		(277,428)
(40,178)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities		(17,729)
<u>(208,371)</u>	Net cash flows from operating activities	29.	<u>(225,722)</u>
	Investing Activities		
120,978	Net cash flows from investing activities	31.	179,919
	Financing Activities		
<u>52,242</u>	Net cash flows from financing activities	32.	<u>65,540</u>
<u>(35,151)</u>	Net increase in cash and cash equivalents		<u>19,737</u>
<u>(97,991)</u>	Cash and cash equivalents at 1 April		<u>(133,142)</u>
<u>(133,142)</u>	Cash and cash equivalents at 31 March	23.	<u>(113,405)</u>
<u>(35,151)</u>	Net increase in cash and cash equivalents		<u>19,737</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2018 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 write-down 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 9 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 out with 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 of 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.

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 requirements, 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 requirements, 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 reported in accordance with the current management structure. 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 8.197% (James Gillespie's High School) 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. Work is on-going to establish and maintain a common good register, in accordance with the Community Empowerment (Scotland) Act 2015.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.17 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.

1.18 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

- **Depreciation**

Depreciation is provided on all property, plant and equipment, other than freehold land, community assets and assets under construction.

The Council depreciates 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 plus the cost of acquisitions and enhancements during the year over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is impacted by changes in asset value during the year arising from enhancements but not revaluation.

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.

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 Operational 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

- **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. 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.

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 and funds for PPP school lifecycle maintenance. 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 '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 non-recoverable from HM Revenue and Customs.

1.22 Group Account Consolidation

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. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 21.

2017/18	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families Place	342,940	13,829	356,769
Housing Revenue Account	0	(26,362)	(26,362)
Health and Social Care Resources	193,273	9,120	202,393
Chief Executive	170,304	61,346	231,650
Safer and Stronger Communities	11,019	114	11,133
Lothian Valuation Joint Board	30,470	1,893	32,363
	3,629	0	3,629
Cost of Services	822,084	146,049	968,133
Other income and expenditure			
Early release costs	2,727	88	2,815
Net cost of benefits	(625)	0	(625)
Other non-service specific costs	19,604	6,555	26,159
Net deficit on trading activities	0	42	42
Net income and changes in relation to investment properties and changes in their fair value	0	(3,014)	(3,014)
Interest and investment income	(10,274)	(139)	(10,413)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	110,545	(21,595)	88,950
Net pension interest cost	0	18,762	18,762
Gains on disposal of assets	0	5,292	5,292
Contribution to Renewal and Repairs Fund	93	(93)	0
Contribution from Capital Fund	(1,899)	1,899	0
Contribution to General Fund	5,397	(5,397)	0
Income from Council Tax	(249,248)	0	(249,248)
Government Grants	(345,757)	0	(345,757)
Distribution from NDRI pool	(355,063)	0	(355,063)
Capital grants and contributions	0	(76,598)	(76,598)
(Surplus) / Deficit on the provision of services	(2,416)	71,851	69,435
Opening General Fund and HRA Balance	142,611		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	11,090		
Surplus on the provision of services	(2,416)		
Closing General Fund and HRA Balance at 31 March	151,285		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 18.

The Council has continued to undergo a programme of transformation during 2017/18. The most significant service reporting change related to ICT services being transferred from the Chief Executive service to Resources, during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2016/17 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families Place	341,807	9,844	351,651
Housing Revenue Account	68,365	71,893	140,258
Health and Social Care Resources	0	(28,160)	(28,160)
Chief Executive	187,838	1,121	188,959
Safer and Stronger Communities	130,860	26,270	157,130
Lothian Valuation Joint Board	41,302	618	41,920
	25,486	135	25,621
	3,744	0	3,744
Cost of Services	799,402	81,721	881,123
Other income and expenditure			
Early release costs	15,610	0	15,610
Net cost of benefits	(369)	0	(369)
Other non-service specific costs	15,315	(13,067)	2,248
Net deficit on trading activities	0	191	191
Net income and changes in relation to investment properties and changes in their fair value	0	(600)	(600)
Interest and investment income	(9,552)	(117)	(9,669)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	112,188	(23,697)	88,491
Net pension interest cost	0	15,476	15,476
(Gains) / Losses on disposal of assets	0	(12,061)	(12,061)
Contribution to Renewal and Repairs Fund	60	(60)	0
Contribution from Capital Fund	(2,120)	2,120	0
Contribution from General Fund	9,367	(9,367)	0
Income from Council tax	(221,390)	0	(221,390)
Revenue support grant	(344,919)	0	(344,919)
Distribution from NDRI pool	(374,650)	0	(374,650)
Capital grants and contributions	0	(53,711)	(53,711)
Surplus on the provision of services	(1,058)	(13,172)	(14,230)
Opening General Fund and HRA Balance	128,396		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	15,273		
Surplus on the provision of services	(1,058)		
Closing General Fund and HRA Balance at 31 March	142,611		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 19.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2017/18	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	4,600	10,058	578	15,236
Housing Revenue Account	72,078	7,874	(84)	79,868
Health and Social Care Resources	(35,634)	768	(538)	(35,404)
Chief Executive	233	7,490	41	7,764
Safer and Stronger Communities	74,265	7,408	221	81,894
	9	236	(91)	154
	0	1,910	(26)	1,884
Cost of Services	115,551	35,744	101	151,396
Other income and expenditure				
Other non-service specific costs	16,156	(3,932)	3	12,227
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,420)	(1,420)
Interest and investment income	(57)	0	0	(57)
Interest payable and similar charges	(38,718)	0	(1,392)	(40,110)
Net pension interest cost	0	18,762	0	18,762
Gains on disposal of assets	5,292	0	0	5,292
Capital grants and contributions	(76,598)	0	0	(76,598)
(Surplus) or deficit on the provision of services	21,626	50,574	(2,708)	69,492

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2017/18	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	15,236	962	(2,369)	13,829
Housing Revenue Account	79,868	328	5,913	86,109
Health and Social Care Resources	(35,404)	0	9,042	(26,362)
Chief Executive	7,764	(527)	1,883	9,120
Safer and Stronger Communities	81,894	(16,632)	(3,916)	61,346
	154	39	(79)	114
	1,884	75	(66)	1,893
Cost of Services	151,396	(15,755)	10,408	146,049
Other income and expenditure				
Early release costs	0	88	0	88
Other non-service specific costs	12,227	(1,296)	(4,376)	6,555
Net deficit on trading activities	0	42	0	42
Net income and changes in relation to investment properties and changes in their fair value	(1,420)	(1,594)	0	(3,014)
Interest and investment income	(57)	0	(82)	(139)
Interest payable and similar charges	(40,110)	18,515	0	(21,595)
Net pension interest cost	18,762	0	0	18,762
Gains on disposal of assets	5,292	0	0	5,292
Use of reserves	0	0	(3,591)	(3,591)
Capital grants and contributions	(76,598)	0	0	(76,598)
(Surplus) or deficit on the provision of services	69,492	0	2,359	71,851

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

Re-stated	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
2016/17 Comparative Data				
Communities and Families Place	4,478	1,363	2,135	7,976
Housing Revenue Account	71,318	1,052	(1,147)	71,223
Health and Social Care Resources	(15,751)	117	(640)	(16,274)
Chief Executive	157	1,064	(1,538)	(317)
Safer and Stronger Communities	47,093	976	(188)	47,881
	1,325	35	95	1,455
	0	264	(135)	129
Cost of Services	108,620	4,871	(1,418)	112,073
Other income and expenditure				
Other non-service specific costs	(470)	2,288	178	1,996
Net income and changes in relation to investment properties and changes in their fair value	0	0	779	779
Interest and investment income	(52)	0	0	(52)
Interest payable and similar charges	(40,245)	0	(1,399)	(41,644)
Net pension interest cost	0	15,476	0	15,476
Gains on disposal of assets	(12,061)	0	0	(12,061)
Capital grants and contributions	(53,711)	0	0	(53,711)
(Surplus) or deficit on the provision of services	2,081	22,635	(1,860)	22,856

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

Re-stated

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
2016/17 Comparative Data				
Communities and Families Place	7,976	(108)	1,976	9,844
Housing Revenue Account	71,223	36	634	71,893
Health and Social Care Resources	(16,274)	0	(11,886)	(28,160)
Chief Executive	(317)	0	1,438	1,121
Safer and Stronger Communities	47,881	(16,469)	(5,142)	26,270
	1,455	0	(837)	618
	129	0	6	135
Cost of Services	112,073	(16,541)	(13,811)	81,721
Other income and expenditure				
Other non-service specific costs	1,996	(218)	(14,845)	(13,067)
Net deficit on trading activities	0	191	0	191
Net income and changes in relation to investment properties and changes in their fair value	779	(1,379)	0	(600)
Interest and investment income	(52)	0	(65)	(117)
Interest payable and similar charges	(41,644)	17,947	0	(23,697)
Net pension interest cost	15,476	0	0	15,476
Gains on disposal of assets	(12,061)	0	0	(12,061)
Use of reserves	0	0	(7,307)	(7,307)
Capital grants and contributions	(53,711)	0	0	(53,711)
(Surplus) or deficit on the provision of services	22,856	0	(36,028)	(13,172)

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2017/18	Communities and Families		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
Expenditure				
Employee expenses	266,856	77,709	9,157	85,796
Other service expenses	110,026	176,912	38,989	195,325
Support service recharges	0	0	7,389	0
Depreciation, amortisation and impairment	0	0	0	0
Interest payments	91	0	19,628	0
Debt repayments (<i>HRA only</i>)	0	0	37,764	0
Total Expenditure	376,973	254,621	112,927	281,121
Income				
Revenues from external customers	(7,128)	(125,641)	(100,556)	(19,494)
Income from recharges for services	(27)	(419)	(208)	0
Government grants and other contribs.	(26,878)	(58,112)	(12,106)	(68,354)
Interest and investment income	0	0	(57)	0
Total Income	(34,033)	(184,172)	(112,927)	(87,848)
Cost of Services	342,940	70,449	0	193,273

Expenditure	Resources	Chief Executive	Safer and Stronger Communities	Lothian Valuation Joint Board
	£000	£000	£000	£000
Employee expenses	71,834	7,697	19,354	0
Other service expenses	129,339	5,613	62,565	3,629
Support service recharges	63	0	0	0
Depreciation, amortisation and impairment	0	0	0	0
Interest payments	18,450	0	0	0
Debt repayments (<i>HRA only</i>)	0	0	0	0
Total Expenditure	219,686	13,310	81,919	3,629
Income				
Revenues from external customers	(28,001)	(410)	(38,026)	0
Income from recharges for services	(9,236)	(490)	0	0
Government grants and other contribs.	(12,145)	(1,391)	(13,423)	0
Interest and investment income	0	0	0	0
Total Income	(49,382)	(2,291)	(51,449)	0
Cost of Services	170,304	11,019	30,470	3,629

Expenditure	Council Total	Subsidiaries	Associates and Joint Ventures	Group Total
	£000	£000	£000	£000
Employee expenses	538,403	98,306	0	636,709
Other service expenses	722,398	61,157	0	783,555
Support service recharges	7,452	0	0	7,452
Depreciation, amortisation and impairment	0	10,143	0	10,143
Interest payments	38,169	0	0	38,169
Debt repayments (<i>HRA only</i>)	37,764	0	0	37,764
Net expend from Associates and Joint Ventures	0	0	5,790	5,790
Total Expenditure	1,344,186	169,606	5,790	1,519,582
Income				
Revenues from external customers	(319,256)	(146,491)	0	(465,747)
Income from recharges for services	(10,380)	0	0	(10,380)
Government grants and other contribs.	(192,409)	(30,969)	0	(223,378)
Interest and investment income	(57)	0	0	(57)
Net income from Associates and Joint Ventures	0	0	(2,451)	(2,451)
Total Income	(522,102)	(177,460)	(2,451)	(702,013)
Cost of Services	822,084	(7,854)	3,339	817,569

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

Re-stated

2016/17 Comparative Data Expenditure	Communities and Families	Place	Housing Revenue Account	Health and Social Care
	£000	£000	£000	£000
Employee expenses	260,950	78,491	8,198	88,769
Other service expenses	106,341	165,881	38,757	182,339
Support service recharges	0	0	8,450	0
Depreciation, amortisation and impairment	0	47	0	0
Interest payments	104	0	18,660	0
Debt repayments (<i>HRA only</i>)	0	0	16,585	0
Total Expenditure	367,395	244,419	90,650	271,108
Income				
Revenues from external customers	(6,790)	(125,955)	(87,797)	(20,284)
Income from recharges for services	(16)	(822)	(191)	(16)
Government grants and other contribs.	(18,782)	(49,277)	(2,610)	(62,970)
Interest and investment income	0	0	(52)	0
Total Income	(25,588)	(176,054)	(90,650)	(83,270)
Cost of Services	341,807	68,365	0	187,838

2016/17 Comparative Data Expenditure	Resources	Chief Executive	Safer and Stronger Communities	Lothian Valuation Joint Board
	£000	£000	£000	£000
Employee expenses	67,540	11,398	19,813	0
Other service expenses	89,966	36,224	53,754	3,744
Support service recharges	63	0	0	0
Depreciation, amortisation and impairment	0	0	0	0
Interest payments	17,656	0	0	0
Debt repayments (<i>HRA only</i>)	0	0	0	0
Total Expenditure	175,225	47,622	73,567	3,744
Income				
Revenues from external customers	(24,537)	(1,069)	(35,199)	0
Income from recharges for services	(7,777)	(2,572)	0	0
Government grants and other contribs.	(12,051)	(2,679)	(12,882)	0
Interest and investment income	0	0	0	0
Total Income	(44,365)	(6,320)	(48,081)	0
Cost of Services	130,860	41,302	25,486	3,744

2016/17 Comparative Data Expenditure	Council Total	Subsidiaries	Associates and Joint Ventures	Group Total
	£000	£000	£000	£000
Employee expenses	535,159	92,534	0	627,693
Other service expenses	677,006	56,941	0	733,947
Support service recharges	8,513	0	0	8,513
Depreciation, amortisation and impairment	47	9,209	0	9,256
Interest payments	36,420	0	0	36,420
Debt repayments (<i>HRA only</i>)	16,585	0	0	16,585
Net expend from Associates and Joint Ventures	0	0	2,222	2,222
Total Expenditure	1,273,730	158,684	2,222	1,434,636
Income				
Revenues from external customers	(301,631)	(143,277)	0	(444,908)
Income from recharges for services	(11,394)	0	0	(11,394)
Government grants and other contribs.	(161,251)	(29,354)	0	(190,605)
Interest and investment income	(52)	0	0	(52)
Net income from Associates and Joint Ventures	0	0	(1,949)	(1,949)
Total Income	(474,328)	(172,631)	(1,949)	(648,908)
Cost of Services	799,402	(13,947)	273	785,728

NOTES TO THE FINANCIAL STATEMENTS

3. Expenditure and Income Analysed by Nature Group

3.1 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows

	2017/18	Re-stated 2016/17
	£000	£000
Expenditure		
Employee expenses	679,793	645,753
Other service expenses	1,146,523	918,315
Support service recharges	7,452	8,513
Depreciation, amortisation and impairment	209,267	164,797
Interest payments	192,026	197,097
Net Interest in the profit/loss of associates and joint ventures	3,339	273
Total Expenditure	<u>2,238,400</u>	<u>1,934,748</u>
Income		
Fees, charges and other service income	(904,232)	(675,235)
(Gain) / Loss on the disposal of assets	5,263	(12,009)
Interest and investment income	(98,087)	(103,983)
Income from Council Tax and Non-Domestic Rates	(604,311)	(596,040)
Government grants and other contributions	(493,862)	(520,460)
Recognised capital income	(76,598)	(53,712)
Total Income	<u>(2,171,827)</u>	<u>(1,961,439)</u>
(Surplus) / Deficit on the Provision of Services	<u>66,573</u>	<u>(26,691)</u>

Council

3.2 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows

	2017/18	Re-stated 2016/17
	£000	£000
Expenditure		
Employee expenses	581,487	553,219
Other service expenses	1,083,337	859,628
Support service recharges	7,452	8,513
Depreciation, amortisation and impairment	199,124	155,588
Interest payments	178,891	182,465
Total Expenditure	<u>2,050,291</u>	<u>1,759,413</u>
Income		
Fees, charges and other service income	(697,268)	(530,677)
(Gain) / Loss on the disposal of assets	5,292	(12,061)
Interest and investment income	(84,606)	(88,766)
Income from Council Tax and Non-Domestic Rates	(604,311)	(596,040)
Government grants and other contributions	(523,365)	(492,387)
Recognised capital income	(76,598)	(53,712)
Total Income	<u>(1,980,856)</u>	<u>(1,773,643)</u>
(Surplus) / Deficit on the Provision of Services	<u>69,435</u>	<u>(14,230)</u>

NOTES TO THE FINANCIAL STATEMENTS

4. 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 2018/19 Code:

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 financial statements.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

5. 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:

5.1 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 Gillespie's 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 £549.815m at 31 March 2018) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5.2 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 9 and 10 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.

6. 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.

NOTES TO THE FINANCIAL STATEMENTS

6. 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 £9.824m 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 £0.541m per annum.
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. Note 43.6 provides further information on the Council's pension liability.
Arrears	At 31 March, the Council had a balance of sundry debtors of £27.945m. A review of significant balances suggested that an impairment of doubtful debts of £3.495m (12.5%) 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 £1.397m 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 over an average 7 year period, a minimum repayment of £3.827m would potentially be due to HM Revenue and Customs.

NOTES TO THE FINANCIAL STATEMENTS

6. 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 97.00% of Council Tax will be collected. An impairment for doubtful debts of £8.425m 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 £2.882m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.876m. A review of significant balances suggested that an impairment of doubtful debts of £5.73m (83.3%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from 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 £19.045m.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

7. Material Items of Income and Expense

The Council set aside an additional £15.9m in respect of provisions. £11.9m of this relates to contractual obligations and claims identified during the year and £4m from the International Conference Centre Expenditure Trust. The Trust was discharged at the year end by the Trustee and the funds remitted to the Council for future support of the EICC capital programme.

8. Events After the Balance Sheet Date

A report was considered by the Finance and Resources Committee on 12 June 2018 seeking approval to provide a formal pension guarantee to Lothian Pension Fund on behalf of Lothian Buses, to enable them to take advantage of the Funds low-risk strategy benefits.

NOTES TO THE FINANCIAL STATEMENTS

9. 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
• Capital Theatres (formerly Festival City Theatres Trust)	33.33%	Board representation
• Lothian Valuation Joint Board	61.15%	Funding percentage
• Common Good	100.00%	
Joint Venture	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation
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%
• LPFI Limited	100.00%
• Energy for Edinburgh Limited	100.00%

Unless otherwise stated, the accounts of these bodies 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

9. Subsidiaries and Associates - continued

9.1 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:	31.03.18	31.03.17
	£000	£000
Net assets	1,173	877
Net (profit) / loss before taxation	(164)	(16)
Retained profit / (loss) carried forward	172	(123)

- **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:	31.12.17	31.12.16
	£000	£000
Net assets	14,394	16,214
Net (profit) / loss before taxation	3,639	(464)
Retained profit / (loss) carried forward	(51,331)	(51,410)

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 2018 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:

	31.03.18	31.03.17
	£000	£000
Net assets	0	0
Net deficit before taxation	0	0
Retained profit / (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.

The unaudited results of the company are as follows:	31.03.18	31.03.17
	£000	£000
Net liabilities	(1,393)	(539)
Net (profit) / loss before taxation	1,535	(6)
Retained profit / (loss) carried forward	(1,393)	(539)

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.1 Subsidiary Companies - continued

● LPFI Limited

The company was incorporated on 11 February 2015 and commenced trading during 2016/17.

The principal activity of the company is the provision of FCA-regulated services to the City of Edinburgh Council in support of the administration of Pension Funds. All pension funds are part of the Local Government Pension Scheme in Scotland.

The unaudited results of the company are as follows:	31.03.18	31.03.17
	£000	£000
Net assets	95	50
Net (profit) / loss before taxation	(43)	(1)
Retained profit / (loss) carried forward	(35)	0

● 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 audited results of the company are as follows:	31.03.18	31.03.17
	£000	£000
Net assets	303	284
Net (profit) / loss before taxation	(19)	(23)
Retained profit / (loss) carried forward	303	284

● 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:

	31.12.17	31.12.16
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	154,951	95,955
Net (profit) / loss before taxation	(11,948)	(14,165)
Retained earnings	63,923	9,779
Dividend paid	6,610	5,517

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

● Energy for Edinburgh Limited

Energy for Edinburgh Limited was incorporated on 8 November 2016. The principal activities of the company are to identify and deliver energy projects across areas of energy efficiency, district heating and renewables in line with the Council's Sustainable Energy Action Plan.

The unaudited accounts for the first accounting period to 31 December 2017 are currently being compiled but not completed at the time of preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 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:	31.03.18	31.03.17
	£000	£000
Net assets / (liabilities)	209	(8,638)
Net operating (profit) / loss	683	944
Earnings / (Losses) carried forward	209	(8,638)

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% (2016/17 33.33%) Board Representation, is as follows:

	31.03.18	31.03.17
	£000	£000
Total Comprehensive (Income) and Expenditure	2,949	3,098
Net assets / (liabilities)	70	(2,879)
Total usable reserves	70	(2,879)

- **Capital Theatres (formerly 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:	31.03.18	31.03.17
	£000	£000
Net assets	3,920	3,261
Net operational (profit) / loss	(360)	359
Fund balances carried forward	3,920	3,261

Although Capital Theatres 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 Capital Theatres, based on 33.33% (2016/17 33.33%) Board representation, is as follows:

	31.03.18	31.03.17
	£000	£000
Total Comprehensive Expenditure	220	158
Net assets	1,307	1,087
Total usable reserves	1,307	1,087

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 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.

	31.03.18	31.03.17
	£000	£000
Deficit for the year	1,121	145
Net Liabilities	(5,653)	(10,940)
Usable reserves	798	1,011
Unusable reserves	<u>(6,451)</u>	<u>(11,951)</u>
Total reserves	<u><u>(5,653)</u></u>	<u><u>(10,940)</u></u>

The group share of the results of the Lothian Valuation Joint Board, based on a 61.19% (2016/17 61.22%) funding percentage is as follows:

	31.03.18	31.03.17
	£000	£000
Funding - requisitions	(3,741)	(3,744)
Other income	<u>(1,027)</u>	<u>(1,320)</u>
Total income	<u><u>(4,768)</u></u>	<u><u>(5,064)</u></u>
Deficit for the year	<u><u>685</u></u>	<u><u>89</u></u>
Net liabilities	<u><u>(3,457)</u></u>	<u><u>(6,694)</u></u>
Usable reserves	488	619
Unusable reserves	<u>(3,945)</u>	<u>(7,313)</u>
Total reserves	<u><u>(3,457)</u></u>	<u><u>(6,694)</u></u>

9.3 Joint Ventures

- **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 Board comprises 10 voting members, made up of five elected members appointed by the City of Edinburgh Council and five NHS non-executive 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.

	31.03.18	31.03.17
	£000	£000
The most recent unaudited results of the company are as follows:		
Gross expenditure	704,815	676,164
Surplus for the year	(4,662)	(3,690)
Usable reserves	8,352	3,690

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.3 Joint Ventures - continued

• Edinburgh Integration Joint Board

The group share of the results of the Edinburgh Integration Joint Board, based on a 50% (2016/17 50%) funding percentage is as follows:

	31.03.18	31.03.17
	£000	£000
Net assets	4,176	1,845
Usable reserves	4,176	1,845

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

9.5 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), Capital Theatres (formerly Festival City Theatres Trust) and Edinburgh Leisure.

9.6 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 £198.787m (2016/17 £138.318m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. 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 2018 was £0.020m (31 March 2017 £4.072m).

The Expenditure Trust received interest of £0.026m during the year.

The Trustee (Bank of Scotland) resigned during the financial year and the Trust was discharged, with the remaining funds being transferred to the Council. £4.008m was transferred as at 31 March 2018 and is held on the Council's Balance Sheet to support future capital works of the EICC Limited. A balance of interest of £0.020m was transferred after the year end date. Payments were also made to EICC Limited during the year for capital works (£0.066m).

• 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 2018 was nil (31 March 2017 £0.810m).

The Trustee (Bank of Scotland) resigned during the financial year and the Trust was discharged, with the remaining funds being transferred to the Council. £0.795m was transferred as at 31 March 2018 and is held on the Council's Balance Sheet. The Income Trust received interest of £0.005m.

11. 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

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2017/18			
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	176,693	21,165	0
Movements in the market value of investment properties	(1,420)	0	0
Amortisation and impairment of intangible assets	1,267	0	0
Capital grants and contributions applied	(65,319)	(11,280)	0
Capital funded from revenue	(2,726)	(19,474)	0
Revenue expenditure funded from capital under statute	44,411	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(63,110)	(18,290)	0
Capital expenditure charged against General Fund and HRA balances	(44,411)	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	1,825	3,467	21,879
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,879)
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	(1,393)	(536)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	108,133	2,378	0
Employer's pension contributions and direct payments to pensioners payable in the year	(58,809)	(1,128)	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	643	(3)	0
Total Adjustments	95,784	(23,701)	0

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2017/18	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £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	(197,858)
Movements in the market value of investment properties	0	0	1,420
Amortisation of intangible assets	0	0	(1,267)
Capital grants and contributions applied	4,051	0	72,548
Capital funded from revenue	0	0	22,200
Revenue expenditure funded from capital under statute	0	0	(44,411)
Insertion of items not debited or credited to the CIES	0	0	0
Statutory provision for the financing of capital investment	0	2,379	79,021
Capital expenditure charged against General Fund and HRA balances	0	0	44,411
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(21)	0	21
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(27,171)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,879
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	1,929
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(110,511)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	59,937
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	(640)
Total Adjustments	4,030	2,379	(78,492)

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

Re-stated	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2016/17 Comparative Data			
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	135,424	18,944	0
Movements in the market value of investment properties	779	0	0
Amortisation of intangible assets	1,221	0	0
Capital grants and contributions applied	(46,125)	(7,587)	0
Capital funded from revenue	(2,056)	0	0
Revenue expenditure funded from capital under statute	40,301	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(66,774)	(16,585)	0
Capital expenditure charged against General Fund and HRA balances	(40,301)	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	(11,306)	(754)	27,922
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(27,922)
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	(1,400)	(498)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	86,883	2,016	0
Employer's pension contributions and direct payments to pensioners payable in the year	(64,761)	(1,503)	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	(599)	(142)	0
Total Adjustments	31,286	(6,109)	0

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

Re-stated	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
2016/17 Comparative Data			
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	(154,368)
Movements in the market value of investment properties	0	0	(779)
Amortisation of intangible assets	0	0	(1,221)
Capital grants and contributions applied	14	0	53,698
Capital funded from revenue	0	0	2,056
Revenue expenditure funded from capital under statute	0	0	(40,301)
Insertion of items not debited or credited to the CIES	0	0	
Statutory provision for the financing of capital investment	0	(7,615)	90,974
Capital expenditure charged against General Fund and HRA balances	0	0	40,301
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,905)	0	1,905
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(15,862)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,922
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	1,898
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(88,899)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	66,264
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	741
Total Adjustments	(1,891)	(7,615)	(15,671)

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves

12.1 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.

	Balance at 01.04.17 £000	Net Transfers Out 2017/18 £000	Net Transfers In 2017/18 £000	Balance at 31.03.18 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,410)	0	79	(51,331)
Capital grants unapplied account	2,262	(459)	0	1,803
Transport for Edinburgh Limited				
Revenue reserves	69,708	0	54,144	123,852
Total Usable Reserves - Subsidiaries	20,560	(459)	54,223	74,324
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	2,402	(15)	0	2,387
Edinburgh Leisure				
Earmarked revenue reserve	(3,008)	0	2,933	(75)
Revenue reserves	129	0	15	144
International Conference Centre Trusts				
Income Trust	810	(809)	0	1
Expenditure Trust	4,072	(4,052)	0	20
Capital Theatres				
Earmarked capital reserve	1,084	0	104	1,188
Revenue reserves	3	0	116	119
Lothian Valuation Joint Board				
Revenue reserves	619	(131)	0	488
Edinburgh Integration Joint Board				
Revenue reserves	1,845	0	2,331	4,176
Total Usable Reserves - Associates and Joint Ventures	7,956	(5,007)	5,499	8,448
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	28,516	(5,466)	59,722	82,772

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.16 £000	Net Transfers Out 2016/17 £000	Net Transfers In 2016/17 £000	Balance at 31.03.17 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,361)	0	(49)	(51,410)
Capital grants unapplied account	2,729	(467)	0	2,262
Transport for Edinburgh				
Revenue reserves	78,249	(8,541)	0	69,708
Total Usable Reserves - Subsidiaries	29,617	(9,008)	(49)	20,560
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	2,298	0	104	2,402
Edinburgh Leisure				
Earmarked revenue reserve	44	(3,052)	0	(3,008)
Revenue reserves	174	(45)	0	129
International Conference Centre Trusts				
Income Trust	2,398	(1,588)	0	810
Expenditure Trust	4,183	(111)	0	4,072
Capital Theatres (formerly Festival City Theatres Trust)				
Earmarked capital reserve	1,202	(118)	0	1,084
Revenue reserves	43	(40)	0	3
Lothian Valuation Joint Board				
Revenue reserves	459	0	160	619
Edinburgh Integration Joint Board				
Revenue reserves	0	0	1,845	1,845
Total Usable Reserves - Associates and Joint Ventures	10,801	(4,954)	2,109	7,956
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	40,418	(13,962)	2,060	28,516

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.17 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31.03.18 £000
Council's Usable Reserves				
General Fund				
Unallocated General Fund	13,025	0	0	13,025
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	2,688	(2,688)	5,758	5,758
Balances set aside for specific inv.	25,659	(8,813)	23,803	40,649
Contingency funding, workforce mgmt.	18,094	0	49	18,143
Council Priorities Fund	4,886	(1,312)	4,117	7,691
Dilapidations Fund	12,344	(9,267)	2,000	5,077
Energy Efficiency Fund	98	0	80	178
Insurance Funds	14,666	(17)	1,226	15,875
Licensing and Registration Income	3,093	(272)	259	3,080
Recycling balances	1,161	(464)	0	697
Revenue grants and contributions received in advance of planned expenditure	8,885	(6,309)	2,254	4,830
Council Tax Discount Fund	24,234	0	3,198	27,432
Spend to Save Fund and similar projects	7,362	(4,418)	227	3,171
Other earmarked balances	236	(18)	0	218
City Strategic Investment Fund	6,180	(768)	49	5,461
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	(432)	432	0
Total General Fund	142,611	(34,778)	43,452	151,285
Housing Revenue Account Balance	0	(432)	432	0
Renewal and Repairs Fund	64,149	(9,474)	3,448	58,123
Capital Fund	61,178	(2,513)	4,893	63,558
Capital Receipts Reserve	0	(21,879)	21,879	0
Capital Grants Unapplied Account	766	(21)	4,051	4,796
Total Usable Reserves - Council	268,704	(69,097)	78,155	277,762
Total Usable Reserves - Group	297,220	(74,563)	137,877	360,534

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

(Re-stated)	Balance at 01.04.16 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31.03.17 £000
General Fund				
Unallocated General Fund	13,025	0	0	13,025
Balances held by schools under DSM	2,804	(2,804)	2,688	2,688
Balances set aside for specific inv.	12,565	(4,011)	17,105	25,659
Contingency funding, workforce mgmt.	18,075	0	19	18,094
Council Priorities Fund	1,128	0	3,758	4,886
Dilapidations Fund	12,094	(450)	700	12,344
Energy Efficiency Fund	846	(830)	82	98
Insurance Funds	13,539	(99)	1,226	14,666
Licensing Income	1,394	0	1,699	3,093
Recycling balances	1,372	(211)	0	1,161
Revenue grants and contributions received in advance of planned expend.	15,243	(9,301)	2,943	8,885
Council Tax Discount Fund	21,596	(250)	2,888	24,234
Spend to Save Fund and similar projects	7,017	(1,558)	1,903	7,362
Other earmarked balances	240	(17)	13	236
City Strategic Investment Fund	7,458	(1,278)	0	6,180
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	(11,886)	11,886	0
Total General Fund	<u>128,396</u>	<u>(32,695)</u>	<u>46,910</u>	<u>142,611</u>
Housing Revenue Account Balance	<u>0</u>	<u>(11,886)</u>	<u>11,886</u>	<u>0</u>
Renewal and Repairs Fund	<u>38,194</u>	<u>0</u>	<u>25,955</u>	<u>64,149</u>
Capital Fund	<u>68,793</u>	<u>(8,165)</u>	<u>550</u>	<u>61,178</u>
Capital Receipts Reserve	<u>0</u>	<u>(27,922)</u>	<u>27,922</u>	<u>0</u>
Capital Grants Unapplied Account	<u>2,657</u>	<u>(1,905)</u>	<u>14</u>	<u>766</u>
Total Usable Reserves - Council	<u>238,040</u>	<u>(82,573)</u>	<u>113,237</u>	<u>268,704</u>
Total Usable Reserves - Group	<u>278,458</u>	<u>(96,535)</u>	<u>115,297</u>	<u>297,220</u>

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £5.758m (2016/17 £2.688m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the newly resourced Pupil Equity Fund.

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2017/18	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000	
Transfers out	(34,778)	(432)	(9,474)	(21,879)	
Transfers in	43,452	432	3,448	21,879	
Total movements in fund	<u>8,674</u>	<u>0</u>	<u>(6,026)</u>	<u>0</u>	
Recognised in Comprehensive Income and Expenditure Statement	11,690	(9,042)	0	0	
Transfers to other earmarked reserves	<u>(3,016)</u>	<u>9,042</u>	<u>(6,026)</u>	<u>0</u>	
Total movements in fund	<u>8,674</u>	<u>0</u>	<u>(6,026)</u>	<u>0</u>	
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000	
Transfers out	(21)	(2,513)	(5,466)	(74,563)	
Transfers in	4,051	4,893	59,722	137,877	
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,256</u>	<u>63,314</u>	
Recognised in Comprehensive Income and Expenditure Statement	4,030	2,380	57,287	66,345	
Transfers to other earmarked reserves	<u>0</u>	<u>0</u>	<u>(3,031)</u>	<u>(3,031)</u>	
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,256</u>	<u>63,314</u>	
	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000	
Transfers out	(32,695)	(11,886)	0	(27,922)	
Transfers in	46,910	11,886	25,955	27,922	
Total movements in fund	<u>14,215</u>	<u>0</u>	<u>25,955</u>	<u>0</u>	
Recognised in Comprehensive Income and Expenditure Statement	27,521	11,886	0	0	
Transfers to other earmarked reserves	<u>(13,306)</u>	<u>(11,886)</u>	<u>25,955</u>	<u>0</u>	
Total movements in fund	<u>14,215</u>	<u>0</u>	<u>25,955</u>	<u>0</u>	
	2016/17 Comparative Data	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out		(32,695)	(11,886)	0	(27,922)
Transfers in		46,910	11,886	25,955	27,922
Total movements in fund		<u>14,215</u>	<u>0</u>	<u>25,955</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement		27,521	11,886	0	0
Transfers to other earmarked reserves		<u>(13,306)</u>	<u>(11,886)</u>	<u>25,955</u>	<u>0</u>
Total movements in fund		<u>14,215</u>	<u>0</u>	<u>25,955</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2016/17 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(1,905)	(8,165)	(13,962)	(96,535)
Transfers in	14	550	2,060	115,297
Total movements in fund	<u>(1,891)</u>	<u>(7,615)</u>	<u>(11,902)</u>	<u>18,762</u>
Recognised in Comprehensive Income and Expenditure Statement	(1,891)	(7,615)	(12,522)	17,379
Transfers to other earmarked reserves	0	0	620	1,383
Total movements in fund	<u>(1,891)</u>	<u>(7,615)</u>	<u>(11,902)</u>	<u>18,762</u>

13. Other Operating Expenditure

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Gains on the disposal of non-current assets	5,263	5,292	(12,009)	(12,061)
	<u>5,263</u>	<u>5,292</u>	<u>(12,009)</u>	<u>(12,061)</u>

14. Financing and Investment Income and Expenditure

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	89,236	88,950	88,756	88,491
Interest cost on defined benefit obligation	102,790	89,941	108,342	93,974
Interest receivable and similar income	(10,504)	(10,413)	(9,838)	(9,669)
Interest income on plan assets	(84,563)	(71,179)	(93,498)	(78,498)
Net income in relation to investment properties and changes in their fair value	(3,094)	(3,014)	(750)	(600)
Net (surplus) / deficit from trading activities	36	42	143	191
	<u>93,901</u>	<u>94,327</u>	<u>93,155</u>	<u>93,889</u>

15. Taxation and Non-Specific Grant Income

	2017/18		Re-stated 2016/17	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(249,248)	(249,248)	(221,390)	(221,390)
Non-domestic rates	(355,063)	(355,063)	(374,650)	(374,650)
Non-ring fenced government grants	(345,757)	(345,757)	(344,919)	(344,919)
Capital grants and contributions	(76,598)	(76,598)	(53,711)	(53,711)
Taxation expenses	2,108	0	1,895	0
	<u>(1,024,558)</u>	<u>(1,026,666)</u>	<u>(992,775)</u>	<u>(994,670)</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment

16.1 Depreciation

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

16.2 Capital Commitments

At 31 March 2018, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £256.725m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2017 were £226.111m.

	£000	Expected Completion Date
Free school meals kitchens retention	64	Aug-18
Rising school rolls 6 school extension	5,688	Aug-18
Rising school rolls temporary units	1,924	Aug-18
Nurseries phase 2	1,104	Aug-18
St John's Primary School	4,977	Aug-18
Seafield Depot phase 2	763	Aug-18
Meadowbank Sports Centre (demolition works)	750	Dec-18
Lift upgrade works	1,313	Mar-19
Heating works	2,644	Mar-19
Kitchen and bathroom upgrade	14,320	Mar-19
Royston Care Home retention	289	2018-2019
School upgrade works	1,062	2018-2019
Parks infrastructure improvements	393	2018-2019
Water of Leith phase 2 (flood defence work)	2,909	2018-2019
Communities and Families fire and other upgrade works	544	2019-2020
Water Tank upgrade works for Legionella	650	2019-2020
Zero Waste - Millerhill Project	28,000	2019-2020
St James Quarter - Growth Accelerator Model	61,400	2020-2021
Greendykes	7,638	Apr-19
Bankhead depot	10,600	Jun-19
North Sighthill	13,204	Aug-19
Small sites programme	15,606	Aug-19
Treverlen Park	1,147	Sep-19
Craigmillar town centre	24,565	Mar-20
Pennywell town centre	22,633	Mar-22
ICT capital investment / ICT transformational change investment	14,167	Mar-23
Pennywell phases 1 to 4	18,371	Oct-24
	<u>256,725</u>	

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.3 Movements on Balances - Group Movements in 2017/18

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2017	1,077,207	1,852,238	304,161	1,403,042
Additions	33,712	37,357	30,220	28,336
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(6,031)	176,834	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(58,949)	0	0
Derecognition - disposals	(11,215)	(2,324)	(6,387)	0
Derecognition - other	0	(819)	(4,010)	0
Assets reclassified (to) / from held for sale	0	6,463	0	0
Other movements in cost or valuation	7,394	36,989	0	0
At 31 March 2018	<u>1,100,998</u>	<u>2,047,789</u>	<u>323,984</u>	<u>1,431,378</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(52,984)	(136,630)	(133,008)	(567,358)
Depreciation charge	(19,625)	(46,356)	(19,432)	(65,785)
Depreciation charge written out to Revaluation Reserve	241	62,349	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,104	0	0
Derecognition - disposals	764	115	5,614	0
Derecognition - other	0	130	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	4,010	0
Other movements in cost or valuation	0	0	0	0
At 31 March 2018	<u>(71,600)</u>	<u>(109,288)</u>	<u>(142,816)</u>	<u>(633,143)</u>
Net book value				
At 31 March 2018	<u>1,029,398</u>	<u>1,938,501</u>	<u>181,168</u>	<u>798,235</u>
At 31 March 2017	<u>1,024,223</u>	<u>1,715,608</u>	<u>171,153</u>	<u>835,684</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.3 Movements on Balances - Group Movements in 2017/18

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2017	14,562	2,421	53,096	4,706,727
Additions	5,168	362	46,224	181,379
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	170,795
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(64,690)
Derecognition - disposals	0	0	0	(19,926)
Derecognition - other	0	0	0	(4,829)
Assets reclassified (to) / from held for sale	0	0	0	6,463
Other movements in cost or valuation	0	(1,362)	(43,021)	0
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,975,919</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	0	0	0	(889,980)
Depreciation charge	0	0	0	(151,198)
Depreciation charge written out to Revaluation Reserve	0	0	0	62,590
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,108
Derecognition - disposals	0	0	0	6,493
Derecognition - other	0	0	0	130
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	4,010
Other movements in cost or valuation	0	0	0	0
At 31 March 2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>(956,847)</u>
Net book value				
At 31 March 2018	<u><u>14,050</u></u>	<u><u>1,421</u></u>	<u><u>56,299</u></u>	<u><u>4,019,072</u></u>
At 31 March 2017	<u><u>14,562</u></u>	<u><u>2,421</u></u>	<u><u>53,096</u></u>	<u><u>3,816,747</u></u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.4 Movements on Balances - Group Accounts 2016/17 Comparative Data

Re-stated	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2016	1,066,016	1,724,709	312,404	1,376,084
Additions	34,269	32,436	18,756	26,958
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(455)	28,723	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	0	(20,312)	(3,935)	0
Derecognition - disposals	(15,580)	(148)	(1,403)	0
Derecognition - other	0	0	(21,661)	0
Assets reclassified (to) / from held for sale	0	3,065	0	0
Other movements in cost or valuation	(7,043)	83,765	0	0
At 31 March 2017	<u>1,077,207</u>	<u>1,852,238</u>	<u>304,161</u>	<u>1,403,042</u>
Accumulated Depreciation and Impairment				
At 1 April 2016	(35,393)	(111,507)	(134,661)	(503,164)
Depreciation charge	(18,574)	(42,269)	(21,205)	(64,194)
Depreciation charge written out to Revaluation Reserve	209	7,855	0	0
Depreciation written out to the Surplus on the Provision of Services	0	9,307	15	0
Derecognition - disposals	774	5	1,182	0
Derecognition - other	0	0	21,661	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other movements in cost or valuation	0	(21)	0	0
At 31 March 2017	<u>(52,984)</u>	<u>(136,630)</u>	<u>(133,008)</u>	<u>(567,358)</u>
Net book value				
At 31 March 2017	<u><u>1,024,223</u></u>	<u><u>1,715,608</u></u>	<u><u>171,153</u></u>	<u><u>835,684</u></u>
At 31 March 2016	<u><u>1,030,623</u></u>	<u><u>1,613,202</u></u>	<u><u>177,743</u></u>	<u><u>872,920</u></u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.4 Movements on Balances - Group 2016/17 Comparative Data

Re-stated	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2016	12,964	2,420	89,688	4,584,285
Additions	1,842	1	40,130	154,392
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	28,268
Revaluation decreases recognised in the Surplus on the Provision of Services	(244)	0	0	(24,491)
Derecognition - disposals	0	0	0	(17,131)
Derecognition - other	0	0	0	(21,661)
Assets reclassified (to) / from held for sale	0	0	0	3,065
Other movements in cost or valuation	0	0	(76,722)	0
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>4,706,727</u>
Accumulated Depreciation and Impairment				
At 1 April 2016	0	0	0	(784,725)
Depreciation charge	0	0	0	(146,242)
Depreciation charge written out to Revaluation Reserve	0	0	0	8,064
Depreciation written out to the Surplus on the Provision of Services	0	0	0	9,322
Derecognition - disposals	0	0	0	1,961
Derecognition - other	0	0	0	21,661
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other movements in cost or valuation	0	0	0	(21)
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>(889,980)</u>
Net book value				
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>3,816,747</u>
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>3,799,560</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.5 Movements on Balances - Council Movements in 2017/18

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2017	1,077,207	1,790,335	159,328	1,396,372
Additions	33,712	37,357	3,510	28,336
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(6,031)	176,834	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(58,949)	0	0
Derecognition - disposals	(11,215)	(2,324)	(2,290)	0
Derecognition - other	0	(819)	(4,010)	0
Assets reclassified (to) / from held for sale	0	6,463	0	0
Other movements in cost or valuation	7,394	36,989	0	0
At 31 March 2018	<u>1,100,998</u>	<u>1,985,886</u>	<u>156,538</u>	<u>1,424,708</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(52,984)	(105,526)	(64,347)	(561,444)
Depreciation charge	(19,625)	(46,158)	(9,776)	(65,496)
Depreciation charge written out to Revaluation Reserve	241	62,349	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,104	0	0
Derecognition - disposals	764	115	2,077	0
Derecognition - other	0	130	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	4,010	0
Other movements in cost or valuation	0	0	0	0
At 31 March 2018	<u>(71,600)</u>	<u>(77,986)</u>	<u>(68,036)</u>	<u>(626,940)</u>
Net book value				
At 31 March 2018	<u>1,029,398</u>	<u>1,907,900</u>	<u>88,502</u>	<u>797,768</u>
At 31 March 2017	<u>1,024,223</u>	<u>1,684,809</u>	<u>94,981</u>	<u>834,928</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.5 Movements on Balances - Council

Movements in 2017/18

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 2017	14,562	2,421	53,096	4,493,321	594,858
Additions	5,168	362	46,224	154,669	40
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	170,795	(1,480)
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(64,690)	0
Derecognition - disposals	0	0	0	(15,829)	0
Derecognition - other	0	0	0	(4,829)	0
Assets reclassified (to) / from held for sale	0	0	0	6,463	0
Other movements in cost or valuation	0	(1,362)	(43,021)	0	0
At 31 March 2018	14,050	1,421	56,299	4,739,900	593,418
Accumulated Depreciation and Impairment					
At 1 April 2017	0	0	0	(784,301)	(32,687)
Depreciation charge	0	0	0	(141,055)	(14,106)
Depreciation charge written out to Revaluation Reserve	0	0	0	62,590	3,190
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,108	0
Derecognition - disposals	0	0	0	2,956	0
Derecognition - other	0	0	0	130	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	4,010	0
Other movements in cost or valuation	0	0	0	0	0
At 31 March 2018	0	0	0	(844,562)	(43,603)
Net book value					
At 31 March 2018	14,050	1,421	56,299	3,895,338	549,815
At 31 March 2017	14,562	2,421	53,096	3,709,020	562,171

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.6 Movements on Balances - Council 2016/17 Comparative Data

Re-stated	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2016	1,066,016	1,663,708	179,516	1,369,414
Additions	34,269	31,534	5,408	26,958
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(455)	28,723	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	0	(20,312)	(3,935)	0
Derecognition - disposals	(15,580)	(148)	0	0
Derecognition - other	0	0	(21,661)	0
Assets reclassified (to) / from held for sale	0	3,065	0	0
Other movements in cost or valuation	(7,043)	83,765	0	0
At 31 March 2017	<u>1,077,207</u>	<u>1,790,335</u>	<u>159,328</u>	<u>1,396,372</u>
Accumulated Depreciation and Impairment				
At 1 April 2016	(35,393)	(80,585)	(73,555)	(497,540)
Depreciation charge	(18,574)	(42,087)	(12,468)	(63,904)
Depreciation charge written out to Revaluation Reserve	209	7,855	0	0
Depreciation written out to the Surplus on the Provision of Services	0	9,307	15	0
Derecognition - disposals	774	5	0	0
Derecognition - other	0	0	21,661	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other movements in cost or valuation	0	(21)	0	0
At 31 March 2017	<u>(52,984)</u>	<u>(105,526)</u>	<u>(64,347)</u>	<u>(561,444)</u>
Net book value				
At 31 March 2017	<u>1,024,223</u>	<u>1,684,809</u>	<u>94,981</u>	<u>834,928</u>
At 31 March 2016	<u>1,030,623</u>	<u>1,583,123</u>	<u>105,961</u>	<u>871,874</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.6 Movements on Balances - Council

2016/17 Comparative Data

Re-stated	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 2016	12,964	2,420	89,688	4,383,726	583,781
Additions	1,842	1	40,130	140,142	34
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	28,268	6,951
Revaluation decreases recognised in the Surplus on the Provision of Services	(244)	0	0	(24,491)	0
Derecognition - disposals	0	0	0	(15,728)	0
Derecognition - other	0	0	0	(21,661)	0
Assets reclassified (to) / from held for sale	0	0	0	3,065	0
Other movements in cost or valuation	0	0	(76,722)	0	4,092
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>4,493,321</u>	<u>594,858</u>
Accumulated Depreciation and Impairment					
At 1 April 2016	0	0	0	(687,073)	(22,252)
Depreciation charge	0	0	0	(137,033)	(13,155)
Depreciation charge written out to Revaluation Reserve	0	0	0	8,064	2,720
Depreciation written out to the Surplus on the Provision of Services	0	0	0	9,322	0
Derecognition - disposals	0	0	0	779	0
Derecognition - other	0	0	0	21,661	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0
Other movements in cost or valuation	0	0	0	(21)	0
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>(784,301)</u>	<u>(32,687)</u>
Net book value					
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>3,709,020</u>	<u>562,171</u>
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>3,696,653</u>	<u>561,529</u>

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings'.

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.7 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 Operational Estate Manager, L. Turner 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	107,508	50,034	88,739	1,424,708
Valued at fair value as at:				
31 March 2018	551	848,801	0	0
31 March 2017	0	232,137	0	0
31 March 2016	1,011	231,141	0	0
31 March 2015	1,425	230,799	67,674	0
31 March 2014	990,503	392,974	125	0
Total cost or valuation	1,100,998	1,985,886	156,538	1,424,708

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	14,050	1	56,299	1,741,339
Valued at fair value as at:				
31 March 2018	0	0	0	849,352
31 March 2017	0	0	0	232,137
31 March 2016	0	1,420	0	233,572
31 March 2015	0	0	0	299,898
31 March 2014	0	0	0	1,383,602
Total cost or valuation	14,050	1,421	56,299	4,739,900

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.8 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 2017
	£000	£000	£000	£000
Surplus assets	0	1,421	0	1,421
Investment properties - advertising hoardings	0	17,891	0	17,891
Total cost or valuation	0	19,312	0	19,312

- 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 is 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.

17. Investment Properties

17.1 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 Expenditure Statement.

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(1,594)	(1,594)	(1,384)	(1,384)
Direct operating expenses arising from investment property	0	0	5	5
	(1,594)	(1,594)	(1,379)	(1,379)

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.

NOTES TO THE FINANCIAL STATEMENTS

17. Investment Properties - continued

17.2 Movement in Fair Value

The following table summarises the movement in the fair value of investment properties over the year.

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	16,821	16,471	17,450	17,250
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	1,500	1,420	(629)	(779)
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	<u>18,321</u>	<u>17,891</u>	<u>16,821</u>	<u>16,471</u>

NOTES TO THE FINANCIAL STATEMENTS

18. 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 £1.249m in 2017/18 (2016/17 £1.221m) was charged to Resources.

	2017/18	2016/17
	£000	£000
Resources	1,249	1,221
Total amortisation	<u>1,249</u>	<u>1,221</u>

The movement on intangible asset balances during the year is as follows:

	2017/18		2016/17	
	Group	Council	Group	Council
	£000	£000	£000	£000
Balance at 1 April				
Gross carrying amount	8,778	8,778	8,557	8,557
Less: Accumulated amortisation	<u>(6,113)</u>	<u>(6,113)</u>	<u>(4,892)</u>	<u>(4,892)</u>
Net carrying amount at 1 April	2,665	2,665	3,665	3,665
Additions during the year				
- Purchased intangible assets	46	46	221	221
Impairment during the year	(18)	(18)	0	0
Amortisation for the period	<u>(1,249)</u>	<u>(1,249)</u>	<u>(1,221)</u>	<u>(1,221)</u>
Net carrying amount at 31 March	<u>1,444</u>	<u>1,444</u>	<u>2,665</u>	<u>2,665</u>
Comprising:				
Gross carrying amounts	8,806	8,806	8,778	8,778
Accumulated amortisation	<u>(7,362)</u>	<u>(7,362)</u>	<u>(6,113)</u>	<u>(6,113)</u>
Net carrying amount at 31 March	<u>1,444</u>	<u>1,444</u>	<u>2,665</u>	<u>2,665</u>

The following items of capitalised software are individually material within intangible assets.

	Carrying Amount		Remaining
	2017/18	2016/17	Amortisation
	£000	£000	Period
Master data management software	222	444	31.03.18 1 year
Web-based solution software, including web forms	238	476	1 year
Integration engine software	203	405	1 year
Customer relationship management solutions	422	844	1 year
Security management software	71	143	1 year
Telephony system software	183	220	4 years

NOTES TO THE FINANCIAL STATEMENTS

19. Heritage Assets

19.1 Reconciliation of the Carrying Value of Heritage Assets Movements in 2017/18

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2017	665	2,047	6,797
Additions	166	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	(4)	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(404)	0	0
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2017	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2018	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2017	1,975	19,643	31,127
Additions	0	0	166
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	(4)
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(404)
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>
Accumulated Impairment			
At 1 April 2017	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2018	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Heritage Assets - continued

19.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2016/17 Comparative Data

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2016	654	2,047	6,797
Additions	11	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2016	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2016	1,975	19,643	31,116
Additions	0	0	11
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>
Accumulated Impairment			
At 1 April 2016	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>

19.2 Details of Heritage Assets

- Monuments and Statues are valued on a historic basis and valuations are carried out under the direction of the Council's Operational Estate Manager.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

19. Heritage Assets - continued

19.2 Details of Heritage Assets - continued

- 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.

20. Financial Instruments

20.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long-Term		Current	
	31.03.18	31.03.17	31.03.18	31.03.17
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	149,098	172,542
Available for sale	0	0	26,836	967
Unquoted equity investment at cost	20,280	23,436	0	0
Total investments	20,280	23,436	175,934	173,509
Debtors				
Loans and receivables	105,549	100,953	60,375	60,047
Total debtors	105,549	100,953	60,375	60,047
Borrowings				
Financial liabilities (principal amount)	(1,190,586)	(1,245,546)	(54,960)	(54,355)
Accrued interest	0	0	(16,009)	(16,019)
Cost of amortisation	(10,818)	(9,044)	24	30
Total borrowings	<u>(1,201,404)</u>	<u>(1,254,590)</u>	<u>(70,945)</u>	<u>(70,344)</u>

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 20.4.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Instruments - continued

20.1 Categories of Financial Instruments - continued

	(re-stated)	
	Long-Term	
	31.03.18	31.03.17
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	<u>(196,067)</u>	<u>(204,082)</u>
Deferred liability	<u>(25,223)</u>	<u>(22,707)</u>
Total other long-term liabilities	<u><u>(221,290)</u></u>	<u><u>(226,789)</u></u>

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 included in the Balance Sheet as a 'Deferred Liability' of £0.35m, and as a long-term investment.

Other deferred liabilities relate to income received in advance, which is required to be put on interest bearing deposit.

Further detail on the finance lease and PPP liabilities can be seen in notes 40 and 41.

	Current	
	31.03.18	31.03.17
	£000	£000
Creditors		
Financial liabilities at amortised cost	(20,328)	(23,548)
PPP and finance leases due within 1 year	<u>(8,022)</u>	<u>(10,370)</u>
Total creditors	<u><u>(28,350)</u></u>	<u><u>(33,918)</u></u>

20.2 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	70,233	0	0	0	70,233
Impairment (gain) / loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,116</u>	<u>3,116</u>
Total expense in Surplus on the Provision of Services	<u>70,233</u>	<u>0</u>	<u>0</u>	<u>3,116</u>	<u>73,349</u>
Interest income	0	(1,105)	(103)	0	(1,208)
Dividend Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,180)</u>	<u>(6,180)</u>
Total Interest and investment income	<u>0</u>	<u>(1,105)</u>	<u>(103)</u>	<u>(6,180)</u>	<u>(7,388)</u>
Net (gain) / loss for the year	<u><u>70,233</u></u>	<u><u>(1,105)</u></u>	<u><u>(103)</u></u>	<u><u>(3,064)</u></u>	<u><u>65,961</u></u>

In addition to the above interest expense, £1.849m (2016/17 £1.849m) 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 £0.208m (2016/17 £0.211m) of loans fund expenses charged to the Council.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Instruments - continued

20.3 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 2018, 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:

		31.03.18		31.03.17	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(981,692)	(1,283,157)	(1,034,769)	(1,400,491)
Salix	2	(1,462)	(1,484)	(1,736)	(1,791)
Market debt	2	(289,195)	(535,839)	(288,419)	(559,498)
Other long-term liabilities	n/a	(25,223)	(25,223)	(22,707)	(22,707)
Trade creditors	n/a	(20,328)	(20,328)	(23,548)	(23,548)
Finance Leases	3	(204,089)	(276,650)	(215,887)	(313,562)
Financial liabilities		<u>(1,521,989)</u>	<u>(2,142,681)</u>	<u>(1,587,066)</u>	<u>(2,321,597)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Instruments - continued

20.3 Fair Value of Assets and Liabilities - continued

	Fair Value Level	31.03.18		(re-stated) (re-stated) 31.03.17	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value					
Treasury Bills	1	0	0	0	0
Money Market Funds	1	26,836	26,836	967	967
		<u>26,836</u>	<u>26,836</u>	<u>967</u>	<u>967</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	19,415	19,415	17,646	17,646
Building Society Deposits	2	0	0	0	0
Local Authority Loans	2	129,683	129,723	154,896	154,927
Unquoted Equity investment at cost	n/a	20,280	20,280	23,436	23,436
		<u>169,378</u>	<u>169,418</u>	<u>195,978</u>	<u>196,009</u>
Debtors					
Loan Stock	n/a	6,445	6,445	4,714	4,714
Soft Loans	3	992	992	951	951
Other trade debtors	n/a	60,375	60,375	60,047	60,047
		<u>67,812</u>	<u>67,812</u>	<u>65,712</u>	<u>65,712</u>
Total Investments		<u>264,026</u>	<u>264,066</u>	<u>262,657</u>	<u>262,688</u>

20.4 Available for Sale Financial Assets

As part of the introduction of IFRS13, 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.

	Fair Value Level	31.03.18		31.03.17	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value					
Treasury Bills	1	0	0	0	0
Money Market Funds	1	26,836	26,836	967	967
		<u>26,836</u>	<u>26,836</u>	<u>967</u>	<u>967</u>

There was no unrealised gain on the available for sale financial assets (2016/17 £nil).

NOTES TO THE FINANCIAL STATEMENTS

21. Inventories Movements in 2017/18 and 2016/17

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Fuel Stocks				
Balance at 1 April	575	171	391	115
Purchases	23,679	2,337	21,863	2,461
Recognised as an expense in the year	(23,741)	(2,393)	(21,679)	(2,405)
Balance at 31 March	513	115	575	171
Gift Stock and Community Equipment	£000	£000	£000	£000
Balance at 1 April	1,457	1,457	1,423	1,423
Purchases	3,202	3,202	2,650	2,650
Held by a third party	39	39	37	37
Recognised as an expense in the year	(3,426)	(3,426)	(2,653)	(2,653)
Balance at 31 March	1,272	1,272	1,457	1,457
Construction and Other Raw Materials	£000	£000	£000	£000
Balance at 1 April	1,347	1,099	1,173	835
Purchases	23,670	4,847	20,394	4,832
Recognised as an expense in the year	(23,913)	(5,185)	(20,220)	(4,568)
Stock written off	(1)	(1)	0	0
Balance at 31 March	1,103	760	1,347	1,099
Items held for sale	£000	£000	£000	£000
Balance at 1 April	122	122	108	108
Purchases	351	351	317	317
Recognised as an expense in the year	(301)	(301)	(301)	(301)
Stock written off	(1)	(1)	(2)	(2)
Balance at 31 March	171	171	122	122
Work in Progress	£000	£000	£000	£000
Balance at 1 April	12,466	0	14,348	0
Purchases	0	0	0	0
Recognised as an expense in the year	(1,762)	0	(1,882)	0
Balance at 31 March	10,704	0	12,466	0
Clothing and Equipment	£000	£000	£000	£000
Balance at 1 April	83	83	95	95
Purchases	210	210	196	196
Recognised as an expense in the year	(201)	(201)	(208)	(208)
Balance at 31 March	92	92	83	83
Catering Stocks	£000	£000	£000	£000
Balance at 1 April	116	116	123	123
Purchases	2,976	2,976	2,862	2,862
Recognised as an expense in the year	(2,989)	(2,989)	(2,869)	(2,869)
Balance at 31 March	103	103	116	116

NOTES TO THE FINANCIAL STATEMENTS

21. Inventories - continued	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	16,166	3,048	17,661	2,699
Purchases	54,088	13,923	48,282	13,318
Held by a third party	39	39	37	37
Recognised as an expense in the year	(56,333)	(14,495)	(49,812)	(13,004)
Stock written off	(2)	(2)	(2)	(2)
Balance at 31 March	<u>13,958</u>	<u>2,513</u>	<u>16,166</u>	<u>3,048</u>

22. Debtors

22.1 Long-term Debtors	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	20,491	20,491	26,115	26,115
Other entities and individuals	<u>189,506</u>	<u>195,951</u>	<u>186,556</u>	<u>191,270</u>
Total long-term debtors before provision for impairment	209,997	216,442	212,671	217,385
Less: Provision for impairment	<u>(110,167)</u>	<u>(110,167)</u>	<u>(105,701)</u>	<u>(105,701)</u>
Total net long-term debtors	<u>99,830</u>	<u>106,275</u>	<u>106,970</u>	<u>111,684</u>

22.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Capital advances				
Police Scotland	12,440	12,440	14,198	14,198
Fire Scotland	319	319	1,043	1,043
Council Tax	83,295	83,295	80,121	80,121
Non-Domestic Rates	2,216	2,216	1,896	1,896
CEC Holdings	0	6,445	0	4,714
NHT Loans (see note 34.4)	66,725	66,725	60,255	60,255
House rents	5,544	5,544	5,492	5,492
Car loan scheme	45	45	71	71
Shared equity scheme (see note 34.3)	339	339	401	401
Scheme of assistance (see note 34.3)	870	870	920	920
Other debtors	<u>38,204</u>	<u>38,204</u>	<u>48,274</u>	<u>48,274</u>
	<u>209,997</u>	<u>216,442</u>	<u>212,671</u>	<u>217,385</u>

Long-term debtors include £12.440m (2016/17 £14.198m) and £0.319m (2016/17 £1.043m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

22. Debtors - continued

22.3 Current Debtors

	2017/18		Re-stated 2016/17	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	51,714	47,838	25,436	21,456
Other local authorities	3,539	3,141	688	406
NHS bodies	3,626	3,626	1,026	1,026
Public corporations and trading funds	79	79	9	9
Other entities and individuals	178,400	166,395	181,364	173,075
Total current debtors before provision for impairment	237,358	221,079	208,523	195,972
Less: Provision for impairment	(107,157)	(107,157)	(107,584)	(107,575)
Total net current debtors	130,201	113,922	100,939	88,397

22.4 Provision for Impairment

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council tax	(81,431)	(81,431)	(78,295)	(78,295)
Non-Domestic rates	(1,600)	(1,600)	(1,373)	(1,373)
Sundry debtors	(27,136)	(27,136)	(26,033)	(26,033)
Total long-term provision for impairment	(110,167)	(110,167)	(105,701)	(105,701)
Current provision for impairment				
Council tax	(98,998)	(98,998)	(98,119)	(98,119)
Non-Domestic rates	(211)	(211)	(226)	(226)
Sundry debtors	(7,948)	(7,948)	(9,239)	(9,230)
Total current provision for impairment	(107,157)	(107,157)	(107,584)	(107,575)

23. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within three months of the balance sheet are deemed to be cash and cash equivalents.

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Cash held	360	360	387	387
Bank current accounts	8,286	(15,330)	12,610	(14,079)
Short-term deposits:				
With banks or building societies	19,415	19,415	17,646	17,646
With other local authorities	108,959	108,960	129,188	129,188
	137,020	113,405	159,831	133,142

NOTES TO THE FINANCIAL STATEMENTS

24. Assets Held for Sale

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
24.1 Non-Current Assets				
Balance at 1 April	13,498	13,498	43,746	43,746
Additions	9	9	259	259
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	4,427	4,427
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(1,660)	-1,660
Assets reclassified as held for sale: Property, Plant and Equipment	(53)	(53)	(3,116)	(3,116)
Assets sold	(3,477)	(3,477)	(913)	(913)
Transfers from non-current to current	1,201	1,201	(29,245)	(29,245)
Balance at 31 March	<u>11,178</u>	<u>11,178</u>	<u>13,498</u>	<u>13,498</u>

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
24.2 Current Assets				
Balance at 1 April	29,359	29,359	683	683
Additions	(88)	(88)	3	3
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	(284)	(284)
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(288)	(288)
Assets reclassified as held for sale: Property, Plant and Equipment	(6,410)	(6,410)	0	0
Assets sold	(10,132)	(10,132)	0	0
Transfers from non-current to current	(1,201)	(1,201)	29,245	29,245
Balance at 31 March	<u>11,528</u>	<u>11,528</u>	<u>29,359</u>	<u>29,359</u>

25. Creditors

	2017/18		Re-stated 2016/17	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(18,745)	(14,717)	(12,763)	(8,545)
Other local authorities	(7,009)	(6,202)	(9,116)	(8,065)
NHS bodies	(9,078)	(9,078)	(270)	(270)
Public corporations and trading funds	(389)	(389)	(1,082)	(1,082)
Other entities and individuals	(141,571)	(119,364)	(143,836)	(122,234)
	<u>(176,792)</u>	<u>(149,750)</u>	<u>(167,067)</u>	<u>(140,196)</u>

NOTES TO THE FINANCIAL STATEMENTS

26. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £29.272m (2016/17 £12.863m). The main reasons for this movement are included in Note 7.

Of this amount, £25.431m (2016/17 £10.551m) 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 2017	(3,118)	(462)	(1,888)
Additional provisions made during the year	(3,090)	0	(263)
Amounts used during the year	0	48	0
Unused amounts reversed during the year	0	26	0
Balance at 31 March 2018	<u>(6,208)</u>	<u>(388)</u>	<u>(2,151)</u>
	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2017	(170)	(550)	(4,363)
Additional provisions made during the year	0	(288)	(12,271)
Amounts used during the year	0	191	741
Unused amounts reversed during the year	0	0	26
Balance at 31 March 2018	<u>(170)</u>	<u>(647)</u>	<u>(15,867)</u>
	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2017	(10,551)	(2,312)	(12,863)
Additional provisions made during the year	(15,912)	(3,102)	(19,014)
Amounts used during the year	980	1,573	2,553
Unused amounts reversed during the year	52	0	52
Balance at 31 March 2018	<u>(25,431)</u>	<u>(3,841)</u>	<u>(29,272)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 18 to 19) and Note 12.

28. Unusable Reserves

28.1 Summary of Unusable Reserves

	Re-stated	
	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	1,073,085	873,986
Capital Adjustment Account	1,410,777	1,402,884
Financial Instruments Adjustment Account	(43,467)	(45,390)
Pensions Reserve	(528,359)	(705,786)
Employee Statutory Adjustment Account	<u>(14,761)</u>	<u>(14,121)</u>
Total Council Unusable Reserves	1,897,275	1,511,573
Subsidiaries, Associates and Joint Ventures	<u>116,015</u>	<u>109,802</u>
Total Group Unusable Reserves	<u><u>2,013,290</u></u>	<u><u>1,621,375</u></u>

28.2 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.

	2017/18 £000	2016/17 £000
Balance at 1 April	<u>873,986</u>	<u>856,303</u>
Upward revaluation of assets	307,233	47,395
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	<u>(73,852)</u>	<u>(6,922)</u>
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	233,381	40,473
Difference between fair value depreciation and historical cost depreciation	(18,876)	(18,868)
Accumulated gains on assets sold	<u>(15,406)</u>	<u>(3,922)</u>
Amount written off to the capital adjustment account	(34,282)	(22,790)
Balance at 31 March	<u><u>1,073,085</u></u>	<u><u>873,986</u></u>

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.3 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 revaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 11 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2017/18 £000	Re-stated 2016/17 £000
Balance at 1 April	1,402,884	1,376,129
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(141,055)	(134,299)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(56,803)	(17,335)
Amortisation and impairment of intangible assets	(1,267)	(1,221)
Capital funded from revenue	22,200	2,056
Revenue exp. funded from capital under statute	(44,411)	(40,301)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(5,292)	(12,061)
	<u>(226,628)</u>	<u>(203,161)</u>
Adjusting amounts written out of the revaluation reserve	34,282	22,790
	<u>(192,346)</u>	<u>(180,371)</u>
Net written out amount of the costs of non-current assets consumed in the year		
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	21,879	27,922
Capital grants and contributions credited to the CIES that have been applied to capital financing	72,548	53,698
Application of grants from the capital grants unapplied account / capital fund	21	1,905
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	79,021	88,862
Capital expenditure charged against the General Fund and HRA balances	44,411	40,301
	<u>217,880</u>	<u>212,688</u>
Movements in the market value of investment properties credited to the CIES	1,420	(779)
Other unrealised losses debited to the CIES	<u>(19,061)</u>	<u>(4,783)</u>
Balance at 31 March	<u><u>1,410,777</u></u>	<u><u>1,402,884</u></u>

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.4 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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	(45,390)	(47,214)
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	1,849
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	74	48
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,923	1,897
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	0	(73)
Balance at 31 March	<u>(43,467)</u>	<u>(45,390)</u>

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.

28.5 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.

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.5 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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	(705,786)	(438,940)
Actuarial gains or (losses) on pension assets and liabilities	228,001	(244,211)
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	(110,511)	(88,899)
Employer's pension contributions and direct payments to pensioners payable in the year	59,937	66,264
Balance at 31 March	<u>(528,359)</u>	<u>(705,786)</u>

28.6 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.

		2017/18	2016/17
		£000	£000
Balance at 1 April		(14,121)	(14,862)
Settlement or cancellation of accrual made at the end of the preceding year	14,121	14,862	
Amount accrued at the end of the current year	<u>(14,761)</u>	<u>(14,121)</u>	
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		(640)	741
Balance at 31 March		<u>(14,761)</u>	<u>(14,121)</u>

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2018 £000	31 March 2017 £000
Subsidiaries		
CEC Holdings Limited		
Capital financing account	64,466	64,466
Capital contribution	8,355	10,254
Transport for Edinburgh		
Revaluation reserve	11,309	11,309
Non Controlling Interest	13,258	8,110
Other Unusable Reserves	708	1,004
Total Unusable Reserves - Subsidiaries	98,096	95,143
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(22)
Revaluation reserve	21,886	21,994
Lothian Valuation Joint Board		
Capital adjustment account	262	329
Employee statutory adjustment account	(38)	(58)
Pension reserve	(4,169)	(7,584)
Total Unusable Reserves - Associates and Joint Ventures	17,919	14,659
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	116,015	109,802

29. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	560,154	560,154	567,959	567,959
General Revenue Grant	(345,757)	(345,757)	(344,919)	(344,919)
Non-Domestic Rates receipts from national pool	(355,063)	(355,063)	(374,650)	(374,650)
Other net operating cash payments / (receipts)	(85,056)	(85,056)	(56,761)	(56,761)
Net cash flows from subsidiary companies	(18,771)	0	(26,113)	0
Net cash flows from operating activities	(244,493)	(225,722)	(234,484)	(208,371)

NOTES TO THE FINANCIAL STATEMENTS

30. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Interest received	(4,324)	(4,233)	(3,840)	(3,669)
Interest paid	89,285	88,950	87,805	87,431
Investment income received	(6,180)	(6,180)	(6,000)	(6,000)

31. Cash Flow Statement - Investing Activities

	2017/18		Re-stated 2016/17	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	187,617	170,649	174,616	160,367
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible	(24,841)	(24,277)	(25,146)	(24,916)
Net purchase of Short-Term and Long-Term Investments	20,773	20,884	(50,681)	(50,658)
Other payments for investing activities	49,211	42,601	53,279	47,762
Other receipts from investing activities	<u>(30,008)</u>	<u>(29,938)</u>	<u>(11,496)</u>	<u>(11,577)</u>
Net cash flows from investing activities	<u>202,752</u>	<u>179,919</u>	<u>140,572</u>	<u>120,978</u>

32. Cash Flow Statement - Financing Activities

	2017/18		Re-stated 2016/17	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(1,944)	0	(193)	(70)
Other Receipts for Financing Activities	3,297	3,297	(28,244)	(28,244)
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	8,844	7,888	11,387	10,713
Repayment of short-term and long-term borrowing	54,355	54,355	69,843	69,843
Net cash flows from financing activities	<u>64,552</u>	<u>65,540</u>	<u>52,793</u>	<u>52,242</u>

NOTES TO THE FINANCIAL STATEMENTS

33. Trading Operations

The Edinburgh Catering Service - Other Catering continues 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.

	2017/18	2016/17	2015/16	Cumulative
	£000	£000	£000	£000
Turnover	931	902	980	n/a
Deficit	(42)	(191)	(232)	(465)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period.

In 2017/18, a new Catering Manager was recruited and all other recruitment is now complete which will result in a significant reduction in agency spend. Renegotiation of suppliers contract terms will reduce the operating costs and transportation costs. Catering for Lothian Chambers will cease with the property now being leased out. The refresh of the service and the products on offer aims to deliver financial benefits in terms of income maximisation.

The results of Edinburgh Catering Services - Other Catering are included within 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

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).

	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartans Community Football Academy	Spartans Community Football Academy
Opening Balance	899	861	54	52
New Loans	0	0	0	0
Increase in the Discounted Amount	40	38	4	5
Fair Value Adjustment	0	0	0	0
Loan Repayment	0	0	(3)	(3)
Balance Carried Forward	<u>939</u>	<u>899</u>	<u>55</u>	<u>54</u>
Nominal Value Carried Forward	<u>1,000</u>	<u>1,000</u>	<u>102</u>	<u>105</u>

Adjustments have been made under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, 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.

34.2 Guarantees

In February 2018 the Council agreed to provide a formal pension guarantee to Lothian Pension Funds on behalf of Edinburgh Leisure.

From 1 April 2018 Lothian Pension Fund introduced a new investment strategy, whereby for those employers closed to new entrants but who do not meet the criteria for the Funds low-risk strategy, would be moved to a medium risk strategy.

Edinburgh Leisure would fall into this category and the impact would be a considerable increase in contribution rates and would likely result in a significant impact on services provided by Edinburgh Leisure.

The Council approved providing a pension guarantee which enabled Edinburgh Leisure to be moved back to a low-risk strategy, avoiding the additional financial costs.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial Support and Guarantees - continued

34.3 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.

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 original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

34.4 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 and 2 of NHT are now complete and have delivered 518 new homes.

Phase 3 of NHT has been approved and will deliver up to 368 mid-market rent homes across three separate sites by December 2020. All NHT Phase 3 projects are now in contract and construction has commenced. The total required budget for NHT3 is £50.1m for three projects which will deliver up to 368 new affordable homes. Fruitmarket is the first NHT 3 project to have completed, with investment totalling £9.153m. £2.683m of expenditure was incurred in 2016/17 and the remaining balance of £6.470m was spent in 2017/18. Spend on the two remaining projects under NHT Phase 3 will commence in 2018/19, with the expected value of the projects being £17.28m and £23.68m respectively, totalling c. £40.96m. Around £9m of this total spend is expected to fall into 2019/20 but this is subject to construction timescales.

The Council has advanced the following sums through the NHT scheme:

Developer	Development Site	Phase	Total No. of Units	2017/18 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	126	0	13,323	13,323
Places for People	Lighthouse Court	1	62	0	6,492	6,492
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	15,551	15,551
Miller Homes	Telford North	1	89	0	10,299	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	6,470	2,683	9,153
			598	6,470	60,256	66,726

These sums are included within long-term debtors, as detailed in note 22.2.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2017/18 £000	2016/17 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	6	74
Educational services for children	3,023	1,727
Care services for children	297	1,644
Planning and Building Standards	132	119
Scottish Cities Alliance Investment Fund (see note 46.)	913	978
Others		
Business Improvement District Scheme - Payments to Schemes	1,180	1,319
Police Scotland - Community Police	2,587	2,561
Police Scotland - cab inspection	120	124
Scottish Fire - HMO assessments	56	63
Scottish Water - Integrated Water Catchment Model	0	84
NHS Lothian - Blue Badge medical assessments	57	44
Total Expenditure	8,370	8,737
Income		
Receipts in respect of library services:		
Health Boards	(19)	(19)
Scottish Prison Service	0	(24)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(231)	(1,233)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,680)
Midlothian Council	(68)	(63)
BID Income Levy	(1,232)	(1,433)
Receipts in respect of property management		
Police Scotland	(23)	(60)
Receipts in respect of park management		
Scottish Water	(11)	(11)
Receipts from other local authorities in respect of:		
Criminal justice services	(1,008)	(1,007)
Educating pupils	(525)	(649)
Pentland Hills Regional Park management	(78)	(78)
Care services for children	(542)	(797)
Risk Factory	(40)	(38)
Social work undertakings	(4,427)	(3,689)
City Mortuary	(318)	(250)
Scientific Services	(378)	(379)
Area waste project	(174)	(96)
Miscellaneous Licensing	(109)	(100)
Structural Engineering	(10)	0
Total Income	(10,872)	(11,605)

36. Audit Costs

The fees payable to Scott Moncrieff in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.563m (2016/17 £0.561m to Audit Scotland).

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 2017/18 (2016/17 £0.002m) for the audit of 2016/17 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. Grant Income

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2017/18		Re-stated	
	£000	£000	2016/17	£000
			£000	£000
Revenue Funding				
Credited to taxation and non-specific grant income				
General revenue funding	(345,757)		(344,919)	
Non-domestic rates	<u>(355,063)</u>		<u>(374,650)</u>	
		(700,820)		(719,569)
Credited to services				
Government grants	(32,324)		(22,200)	
Department for Work and Pensions				
- Housing benefits	(174,593)		(199,556)	
- Other funding	(3,962)		(4,044)	
N.H.S. Lothian	(62,588)		(55,507)	
Other Local Authorities	(2,895)		(3,231)	
Scottish Water	(1,691)		(1,770)	
Lothian Road Income Trust	0		(65)	
Edinburgh Leisure	(723)		(708)	
Scottish Prison Service	(549)		(536)	
Lottery funding	(105)		(113)	
SportScotland	<u>(799)</u>		<u>(889)</u>	
		<u>(280,229)</u>		<u>(288,619)</u>
Total		<u>(981,049)</u>		<u>(1,008,188)</u>
Capital Funding				
Scottish Government		(62,000)		(45,719)
Other grants and contributions, including contributions from developers and individuals		(10,301)		(1,409)
Port of Leith Housing Association		(4)		(148)
Sustrans		(456)		(2,559)
Edinburgh World Heritage		(1,302)		0
Cala Homes		(1,832)		(1,311)
Walker Homes		(621)		(1,179)
Heritage Lottery Fund		(80)		(478)
Creative Scotland		(2)		(164)
Lothian Road Income Trust		0		(744)
Total		<u>(76,598)</u>		<u>(53,711)</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	2017/18	2016/17
	£000	£000
• Revenue Expenditure		
Capital City Partnership	4,666	4,225
CEC Holdings (including EDI Group, EICC)	65	284
Edinburgh Festival Theatres	644	704
Edinburgh Leisure Limited		
Revenue funding	8,075	8,449
Other expenditure	395	30
Edinburgh Trams Ltd	648	714
Lothian Buses Limited		
Supported bus services	833	985
Other expenditure	610	1,536
NHS Bodies	3,026	2,356
Other Local Authorities	2,876	2,486
Scottish Government	216	208
Scottish Police Authority	2,787	3,333
Scottish Qualifications Authority	1,510	1,523
Subsidiaries / Voluntary Organisations		
Bethany Christian Trust	1,487	1,538
Criminal Justice Bodies	616	592
Dean and Cauvin Charitable Trust	1,192	854
Edinburgh International Festival Society	2,246	2,317
Edinburgh Voluntary Organisations Council	1,328	1,185
Festivals Edinburgh Ltd	176	173
Handicab	449	448
Lifecare Edinburgh	340	288
Marketing Edinburgh	1,146	918
Royal Blind Asylum and School	1,347	794
Royal Lyceum Theatre Co Ltd	361	358
Total Revenue Expenditure	37,039	36,298
• Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(203)	(200)
Edinburgh Festival Theatres	(129)	(150)
Edinburgh Trams	(2,655)	(2,318)
Edinburgh Tattoo	(401)	(401)
Professional services, rents, other grants and funding		
Other Local Authorities	(1,984)	(698)
Scottish Government	(60)	(86)
Lothian Health Board		
Change Fund	(4,910)	(6,994)
Resource transfers	(21,406)	(21,406)
Total Revenue Income	(31,748)	(32,253)

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure - continued

	2017/18 £000	2016/17 £000
<ul style="list-style-type: none"> ● Joint Board Requisitions 		
Lothian Valuation Joint Board	3,629	3,744
Total Joint Board Requisitions	3,629	3,744
<ul style="list-style-type: none"> ● Central Support Income 		
Lothian Valuation Joint Board	(65)	(49)
Pension Funds	(250)	(264)
Total Central Support Income	(315)	(313)
<ul style="list-style-type: none"> ● Interest on Revenue Balances 		
Lothian Valuation Joint Board	3	3
Pension Funds	4	5
SESTRAN	1	1
Total Interest on Revenue Balances	8	9
<ul style="list-style-type: none"> ● Loans Charges Recovered 		
Scottish Fire and Rescue Service	(777)	(1,112)
Police Scotland	(2,484)	(2,771)
Total Loans Charges	(3,261)	(3,883)
38.2 Subsidiaries and Other Organisations - Capital Expenditure		
<ul style="list-style-type: none"> ● Capital Expenditure 		
CEC Holdings (including EDI Group, EICC)	401	1,155
Edinburgh Leisure	105	165
Hubco	3,648	9,204
Other Local Authorities	172	148
Scottish Government	7,552	3,352
Total Capital Expenditure	11,878	14,024

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

38.3 Related Parties - Indebtedness

The following represent material amounts due to / (by) the Council, at 31 March 2018:

	2017/18	2016/17
	£000	£000
CEC Holdings Limited (including all subsidiaries)	(191)	(535)
Edinburgh Military Tattoo	0	(11)
Hubco	0	(273)
Lothian and Borders Criminal Justice Authority	0	237
Scottish Fire and Rescue Service	964	674
Police Scotland	12,412	14,160
Lothian Valuation Joint Board	0	(1,512)
Other Local Authorities	502	(608)
NHS Bodies	4,587	14,158
Pension Funds	(247)	(499)
Scottish Government	21,780	620
Scottish Water	70	70
SESTRAN	0	(84)
SUSTRANS	10	1,246
Audit Scotland	(387)	374
Audit Scotland	629	0
	40,129	28,017
• Other Indebtedness		
HM Revenue and Customs - VAT	10,545	9,170
HM Revenue and Customs - PAYE and NI	(9,624)	(9,041)
HM Revenue and Customs - Apprenticeship Levy	(340)	0
	581	129

NOTES TO THE FINANCIAL STATEMENTS

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.

	2017/18		Re-stated 2016/17	
	£000	£000	£000	£000
Opening capital financing requirement		1,610,256		1,632,820
Capital Investment				
Property, plant and equipment	154,669		140,142	
Heritage Assets	166		11	
Assets held for sale	(79)		262	
Intangible assets	46		221	
Capital Receipts transferred to Capital Fund	4,971		420	
National Housing Trust - Consent to borrow (see note 34.4)	6,470		13,093	
Revenue expenditure funded from capital under statute	44,411		40,301	
Adjustments to PPP schools during the year	<u>0</u>		<u>(9)</u>	
		210,654		194,441
Sources of Finance				
Capital receipts	(21,879)		(27,922)	
Capital Funded from Current Revenue	(22,200)		(2,056)	
Government grants and other contributions	(116,980)		(95,789)	
Loans fund / finance lease repayments	<u>(83,987)</u>		<u>(91,238)</u>	
		<u>(245,046)</u>		<u>(217,005)</u>
Closing capital financing requirement		<u><u>1,575,864</u></u>		<u><u>1,610,256</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(34,392)		(22,564)
(Decrease) / Increase in capital financing requirement		<u><u>(34,392)</u></u>		<u><u>(22,564)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

40. Leases

40.1 Assets Leased in - Finance Leases

The Council no longer has any arrangements classed as finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet:

	2017/18		(re-stated) 2016/17	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	0	0	7,380	6,707
Additions during the year	9,742	0	0	0
Repayments during the year	(649)	0	(3,470)	(2,797)
Derecognition	0	0	(3,910)	(3,910)
Value at 31 March	<u>9,093</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other land and buildings	0	0	0	0
Vehicles, plant, equipment and furniture	<u>9,093</u>	<u>0</u>	<u>0</u>	<u>0</u>
Value at 31 March	<u><u>9,093</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	1,949	0	0	0
Later than one year and not later than five years	7,144	0	0	0
	<u>9,093</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>9,093</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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 £0.036m of contributions paid by employees towards cost of car leasing (2015/16 £0.047m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.002m is recoverable from employees (2015/16 £0.030m):

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
Future Repayment Period				
Not later than one year	1,603	1,155	1,896	1,398
Later than one year and not later than five years	2,875	1,859	4,978	3,842
Later than five years	5,154	4,001	5,915	4,479
	9,632	7,015	12,789	9,719
Value at 31 March				
Other land and buildings	8,922	6,989	11,838	9,680
Vehicles, plant, equipment and furniture	710	26	951	39
	9,632	7,015	12,789	9,719
Recognised as an expense during the year	2,043	1,508	2,573	2,027

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 arms-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:

	2017/18 £000	2016/17 £000
Not later than one year	12,683	11,965
Later than one year and not later than five years	39,978	39,169
Later than five years	149,919	150,186
	202,580	201,320

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

NOTES TO THE FINANCIAL STATEMENTS

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 an agreed major 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 Gillespie's High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. 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 2018/19	18,673	8,022	18,259	44,954
Payable within two to five years	83,296	33,062	69,596	185,954
Payable within six to ten years	125,344	43,750	77,863	246,957
Payable within eleven to fifteen years	142,822	55,733	65,699	264,254
Payable within sixteen to twenty years	89,163	52,140	43,541	184,844
Payable within twenty one to twenty five years	9,121	11,382	3,692	24,195
	<u>468,419</u>	<u>204,089</u>	<u>278,650</u>	<u>951,158</u>

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 Gillespie's High School scheme, reflecting the terms of the separate contracts and assumed inflation of 2.5% per annum.

The amounts disclosed as reimbursement of capital expenditure are included in creditors and other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate them 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:

	2017/18 £000	2016/17 £000
Balance at 1 April	211,977	219,893
PPP unitary charge restatement adjustment	4	(8)
Repayments during the year	<u>(7,892)</u>	<u>(7,908)</u>
Balance at 31 March	<u>204,089</u>	<u>211,977</u>

NOTES TO THE FINANCIAL STATEMENTS

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 with CGI 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):

Future Repayment Period	£000	Inflationary Uplift
2018/19	34,561	2.0%
2019/20 - 2022/23	<u>94,366</u>	2.0%
	<u><u>128,927</u></u>	

The cost of information technology has been included in the Resources service area, with effect from 1 July 2017.

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
2018/19	6,700
2019/20	<u>3,350</u>
	<u><u>10,050</u></u>

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.

During 2017/18 the Council negotiated an early end to the contract, with effect from December 2018.

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
2018/19	<u>5,823</u>
	<u><u>5,823</u></u>

41.5 Food Waste Contract

The Council entered into a twenty year contract with Alana Renewable Energy to supply food waste treatment at Millerhill from 1 April 2016.

Future Repayment Period	£000	Inflationary Uplift
2018/19	536	3.40%
2019/20 - 2022/23	2,329	3.40%
2023/24 - 2027/28	3,375	3.40%
2028/29 - 2032/33	3,976	3.40%
2033/34 - 2035/36	<u>2,718</u>	3.40%
	<u><u>12,934</u></u>	

NOTES TO THE FINANCIAL STATEMENTS

41. Public Private Partnerships and Similar Contracts - continued

41.6 Residual Waste Contract

In 2016 the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. This contract will become operational from 1 October 2018.

Future Repayment Period	£000	Inflationary Uplift
2018/19	3,110	3.40%
2019/20 - 2022/23	27,538	3.40%
2023/24 - 2027/28	36,673	3.40%
2028/29 - 2032/33	39,599	3.40%
2033/34 - 2037/38	43,056	3.40%
2038/39 - 2042/43	<u>47,143</u>	3.40%
	<u><u>197,119</u></u>	

41.7 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 £18.266m.

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.

	2017/18 £000	%	2016/17 £000	%
Amount paid to Scottish Government in respect of teachers' pension costs	21,971		21,315	
As a percentage of teachers' pensionable pay		17.20		17.20
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 2015/16	18,220		19,765	

At 31 March 2018, creditors include £2.989m (2016/17 £2.763m) in respect of teachers' superannuation.

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 2017/18 the Council paid an employer's contribution of £54.042m (2016/17 £52.689m) into the Lothian Pension Fund, representing 21.3% (2016/17 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the latest available valuations as at March 2017.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.1 Participation in Pension Scheme - continued

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.

	2017/18		2016/17	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	93,031		66,394	
Past service costs	287		7,029	
Effect of Settlements	<u>(1,569)</u>		<u>0</u>	
		91,749		73,423
<i>Financing and investment income:</i>				
Net interest expense		<u>18,762</u>		<u>15,476</u>
Total post employee benefit charged to the surplus on the provision of services		110,511		88,899
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	123,216		(428,706)	
Actuarial (gains) and losses arising on changes in financial assumptions	(92,580)		669,702	
Actuarial (gains) and losses arising on changes in demographic assumptions	(8,303)		0	
Other experience	<u>(250,334)</u>		<u>3,215</u>	
		<u>(228,001)</u>		<u>244,211</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>(117,490)</u>		<u>333,110</u>
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.		<u>(110,511)</u>		<u>(88,899)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		54,403		60,457
Contributions in respect of unfunded benefits		<u>5,534</u>		<u>5,807</u>
		<u>59,937</u>		<u>66,264</u>

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:

	2017/18	2016/17
	£000	£000
Fair value of employer assets	2,675,109	2,747,964
Present value of funded liabilities	(3,124,427)	(3,368,139)
Present value of unfunded liabilities	<u>(79,041)</u>	<u>(85,611)</u>
Net liability arising from defined benefit obligation	<u>(528,359)</u>	<u>(705,786)</u>

43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2017/18	2016/17
	£000	£000
Opening fair value of scheme assets	2,747,964	2,247,877
Effect of settlements	(5,711)	0
Interest income	71,179	78,498
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	(123,216)	428,706
Contributions from employer	54,403	60,457
Contributions from employees into the scheme	15,508	13,845
Contributions in respect of unfunded benefits	5,534	5,807
Benefits paid	(85,018)	(81,419)
Unfunded benefits paid	<u>(5,534)</u>	<u>(5,807)</u>
Closing fair value of scheme assets	<u>2,675,109</u>	<u>2,747,964</u>

Reconciliation of Present Value of the Scheme Liabilities

	2017/18	2016/17
	£000	£000
Present value of funded liabilities	(3,368,139)	(2,605,380)
Present value of unfunded liabilities	<u>(85,611)</u>	<u>(81,437)</u>
Opening balance at 1 April	(3,453,750)	(2,686,817)
Current service cost	(93,031)	(66,394)
Interest cost	(89,941)	(93,974)
Contributions from employees into the scheme	(15,508)	(13,845)
Re-measurement gain / (loss):		
Change in financial assumptions	92,580	(669,702)
Change in demographic assumptions	8,303	0
Other experience	250,334	(3,215)
Past service cost	(287)	(7,029)
Effects of settlements	7,280	0
Benefits paid	85,018	81,419
Unfunded benefits paid	<u>5,534</u>	<u>5,807</u>
Closing balance at 31 March	<u>(3,203,468)</u>	<u>(3,453,750)</u>

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.

	2017/18 £000	%	2016/17 £000	%
Consumer *	366,528	14	412,549	15
Manufacturing *	398,264	15	416,581	15
Energy and Utilities *	167,349	6	203,906	8
Financial Institutions *	237,659	9	191,883	7
Health and Care *	131,150	5	161,077	6
Information technology *	163,088	6	136,000	5
Other *	<u>167,872</u>	6	<u>189,359</u>	7
Sub-total Equity Securities	<u>1,631,911</u>		<u>1,711,355</u>	
Debt Securities:				
UK Government *	259,346	10	275,933	10
Corporate Bonds (non-investment grade)	52,122	2	0	0
Other *	<u>0</u>	0	<u>5,710</u>	0
Sub-total Debt Securities	<u>311,468</u>		<u>281,643</u>	
Private Equity				
All *	8,525	0	31,954	1
All	<u>40,316</u>	2	<u>56,808</u>	2
Sub-total Private Equity	<u>48,841</u>		<u>88,762</u>	
Real Estate:				
UK Property	171,939	6	185,409	7
Overseas Property	<u>2,797</u>	0	<u>0</u>	0
Sub-total Real Estate	<u>174,736</u>		<u>185,409</u>	
Investment Funds and Unit Trusts:				
Equities *	25,712	1	0	0
Bonds *	0	0	6,153	0
Bonds	0	0	34,601	1
Commodities *	0	0	8,058	0
Infrastructure *	0	0	17,459	1
Infrastructure	317,042	12	228,444	8
Other	<u>6,110</u>	0	<u>58,621</u>	2
Sub-total Investment Funds and Unit Trusts	<u>348,864</u>		<u>353,336</u>	
Derivatives:				
Foreign Exchange *	<u>1,231</u>	0	<u>0</u>	0
Sub-total Derivatives	<u>1,231</u>		<u>0</u>	
Cash and Cash Equivalents				
All *	<u>158,058</u>	6	<u>127,459</u>	5
Sub-total Cash and Cash Equivalents	<u>158,058</u>		<u>127,459</u>	
Total Fair Value of Employer Assets	<u>2,675,109</u>	<u>100</u>	<u>2,747,964</u>	<u>100</u>

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

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 2018 were those from the beginning of the year (i.e. 31 March 2017) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2017 to 31 January 2018	3.20%
Estimated return for period from 1 April 2017 to 31 March 2018	(0.30%)

Average future life expectancies at age 65:

	31.03.18	31.03.17
Current pensioners	male 21.7 years	22.1 years
Current pensioners	female 24.3 years	23.7 years
Future pensioners	male 24.7 years	24.2 years
Future pensioners	female 27.5 years	26.3 years

Period ended	31.03.18	31.03.17
Pension increase rate	2.4%	2.4%
Salary Increase rate	4.1%	4.4%
Discount rate	2.7%	2.6%

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 2018 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 3-5%. 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 2018	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	306,767
0.5% increase in the Salary Increase Rate	2%	54,982
0.5% increase in the Pension Increase Rate	8%	246,318

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 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.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.8 Information about the defined benefit obligation

	Liability Split		Weighted Average Duration
	£000	%	
Active members	1,418,298	45.4	24.8
Deferred members	430,947	13.8	24.7
Pensioner members	1,275,182	40.8	13.1
Total	3,124,427	100.0	19.5

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 2017.

The unfunded pensioner liability at 31 March 2018 comprises approximately £60.821m (2016/17 £65.846m) in respect of LGPS unfunded pensions and £18.220m (2016/17 £19.765m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2018, 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.

	2017/18 Pension Reserve £000	2016/17 Pension Reserve £000
Unusable Reserves		
Council	(528,359)	(705,786)
Lothian Valuation Joint Board	(4,169)	(7,585)
	<u>(532,528)</u>	<u>(713,371)</u>
Usable Reserves		
CEC Holdings	(567)	(1,757)
Capital Theatres (formerly Festival City Theatres Trust)	0	(116)
Edinburgh Leisure	(1,023)	(3,795)
Transport for Edinburgh Ltd	59,466	(3,039)
	<u>57,876</u>	<u>(8,707)</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2018

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(96,226)	(96,226)	(38.3%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(96,226)	(96,226)	(38.3%)
Interest income on plan assets	72,052	0	72,052	28.7%
Interest cost on defined benefit obligation	0	(86,796)	(86,796)	(34.5%)
Total Net Interest Cost	72,052	(86,796)	(14,744)	(5.8%)
Total included in Profit or Loss	72,052	(183,022)	(110,970)	(44.1%)

The Council's estimated contribution to Lothian Pension Fund for 2018/19 is £54.860m.

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 £0.998m, including accrued payments (2016/17 £10.933m).

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

- 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 2018. 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.
- The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930s to the present day and has identified a number of care institutions it wishes to investigate, including four council establishments - Howdenhall Centre, St Katherine's and two children's homes that closed in the 1980s. The Council has set up a project team to support the inquiry, review historic records and ensure that the evidence required by the Inquiry can be provided. There is a possibility that these investigations may give rise to significant claims against local authorities in Scotland, including the Council.

NOTES TO THE FINANCIAL STATEMENTS

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 15 March 2018 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2018/19 has been set at £2.151bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2018/19 has been set at £1.671bn. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2018, the Council had £20.7m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 70.2% were loans to other local authorities, a further 17.3% was held in two AAA rated Money Market Funds, leaving only 12.5% with banks. All of the monies held on deposit with banks at 31 March 2018 was in call or near call accounts.

The Council's principal cash holding under its treasury management arrangements at 31 March 2018 was £175.8 million (31 March 2017: £173.5m). This was held with the following institutions:

	Standard and Poor's Rating	Principal Outstanding 31.03.18 £000	Carry Value 31.03.18 £000	Fair Value 31.03.18 £000	Carry Value 31.03.17 £000
Summary					
Money Market Funds					
Deutsche Bank AG, London	AAAm	758	760	760	947
Goldman Sachs	AAAm	1	1	1	20
Standard Life	AAAm	26,064	26,075	26,075	0
Bank Call Accounts					
Bank of Scotland	A	17,364	17,371	17,371	17,314
Royal Bank of Scotland	BBB+	640	640	640	246
Santander UK	A	462	462	462	43
Barclays Bank	A-	14	14	14	3
Svenska Handelsbanken	AA-	862	862	862	34
HSBC Bank Plc	AA-	65	65	65	0
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	129,553	129,683	129,723	154,896
	Total	175,783	175,933	175,973	173,503

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2018 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating, but of the £129.6m above, £13.3m is with a local authority which had an 'Aa3' credit rating from Moody's.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £19.4m 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 2018 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

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 2018 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2018 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2018. 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 £2.172m (2016/17 £2.641m), trade debtors past due date can be analysed by age as follows:

	2017/18	2016/17
	£000	£000
Less than two months	14,355	14,823
Two to four months	1,805	1,292
Four to six months	716	1,002
Six months to one year	1,928	1,838
More than one year	7,555	9,338
Total	<u>26,359</u>	<u>28,293</u>

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 achieve 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.

NOTES TO THE FINANCIAL STATEMENTS

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 debt is as follows:

	2017/18	2016/17
	£000	£000
Less than one year	(62,982)	(64,725)
Between one and two years	(61,787)	(64,419)
Between two and five years	(174,166)	(181,620)
Between five and ten years	(270,794)	(278,115)
More than ten years	<u>(879,907)</u>	<u>(926,909)</u>
Financial Liabilities	<u>(1,449,636)</u>	<u>(1,515,788)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £20.328m (2016/17 £23.548m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £16.009m (2016/17 £16.019m) nor net equivalent interest rate (EIR) adjustments of £10.863m (2016/17 £9.014m) to the carrying amounts of market debt shown in the financial liabilities are included. Deferred liabilities are also not included.

The only investment which the Council has with a maturity of greater than one year is £6.4m 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.

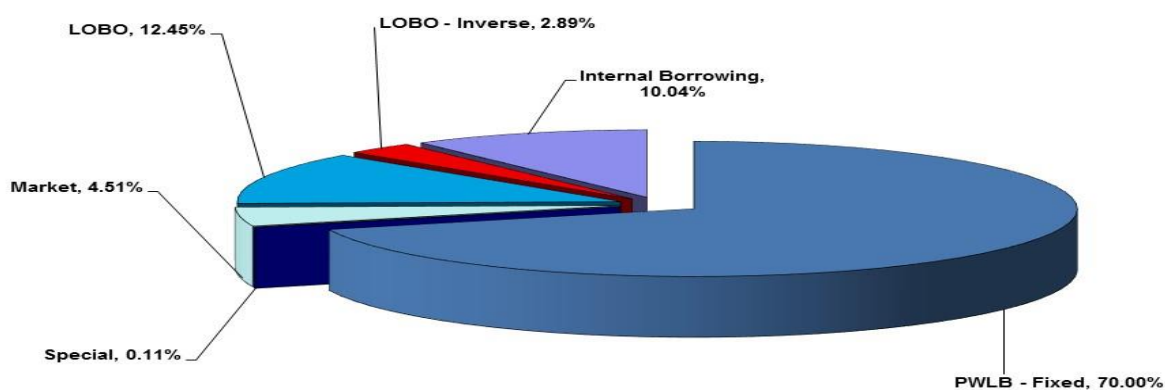
NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.6 Market risk - continued

Interest Rate 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.



CEC Source of Borrowing (31/03/18)

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(839)
Impact on Comprehensive Income and Expenditure Statement	(839)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Decrease in fair value of fixed rate borrowings liabilities	274,152

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £20.280m (2016/17 £23.436m) 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.

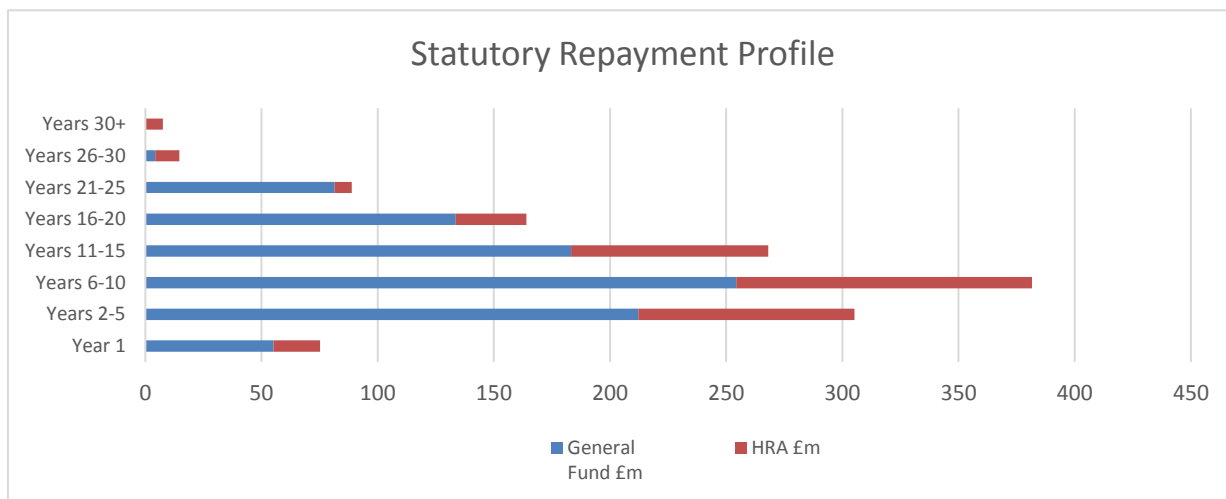
Foreign exchange risk

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.

NOTES TO THE FINANCIAL STATEMENTS

45.7 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management.

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. All advances from the loans fund in the current year have a repayment profile set out using Option 1, the statutory method. All capital advances from the loans fund are repaid using the previous hybrid annuity structure with fixed principal repayments. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.



46. 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 £0.91m was paid out to the respective lead authorities of the projects concerned.

	2017/18		2016/17	
	£000	£000	£000	£000
Balance as at 1 April		2,875		3,846
Investment income		6		7
Less: Payments made:				
Aberdeen City Council	(134)		(136)	
City of Edinburgh Council	(62)		(117)	
Dundee City Council	0		(33)	
Glasgow City Council	(461)		(269)	
Perth and Kinross Council	(19)		(73)	
Stirling Council	(237)		(350)	
		<u>(913)</u>		<u>(978)</u>
Balance as at 31 March		<u>1,968</u>		<u>2,875</u>

As of April 2018, the Alliance had approved total project funding allocations of £5.97m (£5.79m April 2017), covering a range of initiatives spanning the areas of Infrastructure, Investment Promotion, Low Carbon and Smart Cities.

NOTES TO THE FINANCIAL STATEMENTS

47. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket (wound up February 2018), Queensferry Ambition (wound up August 2017) and Edinburgh's West End.

	2017/18	(re-stated)
	£000	2016/17
		£000
BID Levy Income	1,232	1,433
Payments made / due to schemes	(1,180)	(1,319)
Monies still to be recovered from ratepayers at 31 March	23	75

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

48. 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 six, with Usher Hall Conservation Trust wound-up in 2017/18 and further plans in place to wind up the Boyd Anderson Trust in 2018/19.

48.1 The funds are:

	Scottish		
	Charity	Market Value	Market Value
	Registration	31.03.18	31.03.17
	Number	£000	£000
Scottish Registered Charities			
Lauriston Castle	SC020737	7,041	7,041
Jean F. Watson	SC018971	6,311	6,274
Edinburgh Education Trust	SC042754	948	919
Nelson Halls	SC018946	228	227
Boyd Anderson	SC025067	109	113
Usher Hall	SC030180	0	65
The Royal Scots Trust	SC018945	32	32
Total market value		<u>14,669</u>	<u>14,671</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

48. The City of Edinburgh Council Charitable Funds - continued

48.2 Financial Position of the Scottish Registered Charity Funds

2016/17 Income and Expenditure Account £000	2017/18 £000
Income	
73 Investment income	89
14 Other non-investment income	0
87	89
Expenditure	
(22) Prizes, awards and other expenses	(87)
(15) Governance Costs	(13)
(37)	(100)
50 Surplus / (Deficit) for the year	(11)
2016/17 Balance Sheet £000	2017/18 £000
Long-Term Assets	
2,066 Investments	2,075
5,275 Artworks - Jean Watson Trust	5,275
7,020 Heritable property	7,020
14,361 Total Long-Term Assets	14,370
Current Assets	
333 Cash and bank	313
0 Debtors	16
333	329
Current Liabilities	
(23) Creditors	(30)
(23)	(30)
14,671 Total Assets less Liabilities	14,669
Funds	
3,120 Capital at 1 April	3,293
50 Surplus / (Deficit) for the year	(11)
123 Realised and unrealised gains on investments	9
0 Realised and unrealised losses on investments	0
3,293	3,291
11,378 Revaluation reserve	11,378
14,671 Funds at 31 March	14,669

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 at Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG or on the Council's [website](#) in due course.

NOTES TO THE FINANCIAL STATEMENTS

48. The City of Edinburgh Council Charitable Funds - continued

48.3 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:	31.03.18	31.03.17
	£000	£000
Income	(39)	(47)
Expenditure	5	45
Assets	6,318	6,278
Liabilities	(7)	(4)

- **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:	31.03.18	31.03.17
	£000	£000
Income	(2)	(1)
Expenditure	2	1
Assets	7,043	7,042
Liabilities	(2)	(1)

- **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:	31.03.18	31.03.17
	£000	£000
Income	(38)	(30)
Expenditure	14	13
Assets	952	921
Liabilities	(4)	(2)

48.4 Financial Position of Other Funds

2016/17 Income and Expenditure Account		2017/18
£000	Income	£000
0	Investment income	0
0		0
	Expenditure	
1	Administrative expenses	1
0	Other expenditure	42
1		43
1	(Surplus) / Deficit for the year	43
2016/17 Balance Sheet		2017/18
£000	Current Assets	£000
44	Cash and bank	0
44		0
	Current Liabilities	
(1)	Balance with City of Edinburgh Council	0
(1)		0
43	Total Assets less Liabilities	0
44	Capital at 1 April	43
(1)	Deficit for the year	(43)
43	Capital at 31 March	0

The entirety of the balance of the Catherine Cowper Trust was used to contribute to the redevelopment of the Museum of Childhood and the bank account has been closed.

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments

49.1 The following prior period adjustments have been made. The changes are adopted retrospectively for the prior period 2017/18, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

- **Development Funding / Scheme of Assistance**

The previous creation of the debtors for the above scheme had been offset by a movement in the Capital Adjustment Account (CAA) rather than the General Fund. A prior year adjustment has been made to reflect the correct accounting treatment of these debtors.

- **PPP Lifecycle Maintenance**

The lifecycle maintenance costs within the unitary charges for the PPP schools are, in accordance with the Code, now retained in the Renewal and Repairs Fund rather than the CAA. A prior year adjustment has been made to show this transfer on the balance sheet.

- **Finance Leases**

In April 2016 the Council entered into a new contract for ICT services and in the absence of information from the new provider continued to account for an embedded finance lease for the ICT assets, which were included in the assets and liabilities on the balance sheet. The contract has been assessed as no longer meeting the criteria of an embedded lease for ICT assets and therefore a prior year adjustment has been made to reflect the reduction in asset values and liabilities.

- **HRA dwellings**

Capital expenditure on the construction of new housing had been included in council dwellings and had been depreciated in accordance with the depreciation policy. A prior year adjustment has been made to reflect them as Assets Under Construction in the balance sheet and remove the depreciation charge made in year.

49.2 Impact on Financial Statements

Movement in Reserves Statement

	2016/17 Statements £000	Devpt Fund / Scheme of Assistance £000	PPP Life-cycle Maint. £000	Finance Leases £000	HRA Dwellings £000	2016/17 Re-stated £000
<u>Total Comprehensive Inc / Exp.</u>						
Council's Total Usable Reserves	10,768	(4,750)	11,721	(3,910)	401	14,230
Total Usable Reserves	(1,754)	(4,750)	11,721	(3,910)	401	1,708
Council's Unusable Reserves	(214,358)	4,750	2,287	3,910	0	(203,411)
Total Reserves	(214,056)	0	14,008	0	401	(199,647)
<u>Adjustments between accounting basis and funding basis under regulations (Note 11)</u>						
Council's Total Usable Reserves	5,103	4,772	2,287	3,910	(401)	15,671
Total Usable Reserves	5,103	4,772	2,287	3,910	(401)	15,671
Council's Unusable Reserves	(5,103)	(4,772)	(2,287)	(3,910)	401	(15,671)
<u>Net (increase) / decrease before transfer to statutory reserves</u>						
Council's Total Usable Reserves	15,871	22	14,008	0	0	29,901
Total Usable Reserves	3,349	22	14,008	0	0	17,379
Council's Unusable Reserves	(219,461)	(22)	0	0	401	(219,082)
Total Reserves	(214,056)	0	14,008	0	401	(199,647)

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Movement in Reserves Statement	2016/17 Statements £000	Devpt Fund / Scheme of Assistance £000	PPP Life-cycle Maint. £000	Finance Leases £000	HRA Dwellings £000	2016/17 Re-stated £000
<u>Transfer (to) / from other statutory reserves (Note 12.3)</u>						
Council's Total Usable Reserves	0	763	0	0	0	763
Total Usable Reserves	620	763	0	0	0	1,383
Council's Unusable Reserves	0	(763)	0	0	0	(763)
<u>Increase in year</u>						
Council's Total Usable Reserves	15,871	785	14,008	0	0	30,664
Total Usable Reserves	3,969	785	14,008	0	0	18,762
Council Unusable Reserves	(219,461)	(785)	0	0	401	(219,845)
Total Reserves	(214,056)	0	14,008	0	401	(199,647)
<u>Balance at 31 March 2017</u>						
Council's Total Usable Reserves	253,911	785	14,008	0	0	268,704
Total Usable Reserves	282,427	785	14,008	0	0	297,220
Council's Unusable Reserves	1,511,957	(785)	0	0	401	1,511,573
Total Reserves	1,904,186	0	14,008	0	401	1,918,595

Group

Comprehensive Income and Expenditure Statement

Place	140,280	(22)	0	0	0	140,258
Resources	153,220	0	0	3,910	0	157,130
Housing Revenue Account	(27,759)	0	0	0	(401)	(28,160)
Other non-service specific costs	13,969	0	(11,721)	0	0	2,248
Cost of Services	892,899	(22)	(11,721)	3,910	(401)	884,665
Taxation and Non-Specific Grant income	(999,442)	4,772	0	0	0	(994,670)
Surplus on Provision of Service	(25,397)	4,750	(11,721)	3,910	(401)	(28,859)
Other Unrealised (Gains) / Losses	33,564	(4,750)	(2,287)	(3,910)	0	22,617
Total Comprehensive (Income) / Expenditure	214,056	0	(14,008)	0	(401)	199,647

Council

Comprehensive Income and Expenditure Statement

Place	140,280	(22)	0	0	0	140,258
Resources	153,220	0	0	3,910	0	157,130
Housing Revenue Account	(27,759)	0	0	0	(401)	(28,160)
Other non-service specific costs	13,969	0	(11,721)	0	0	2,248
Cost of Services	906,846	(22)	(11,721)	3,910	(401)	898,612
Taxation and Non-Specific Grant income	(999,442)	4,772	0	0	0	(994,670)
Surplus on Provision of Service	(10,768)	4,750	(11,721)	3,910	(401)	(14,230)
Other Unrealised (Gains) / Losses	10,620	(4,750)	(2,287)	(3,910)	0	(327)
Total Comprehensive (Income) / Expenditure	203,590	0	(14,008)	0	(401)	189,181

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Balance Sheet	2016/17 Statements £000	Devpt Fund / Scheme of Assistance £000	PPP Life-cycle Maint. £000	Finance Leases £000	HRA Dwellings £000	2016/17 Re-stated £000
Council Dwellings	1,037,991	0	0	0	(13,768)	1,024,223
Vehicles, Plant, Furniture and Equipment	175,063	0	0	(3,910)	0	171,153
Assets Under Construction	38,927	0	0	0	14,169	53,096
Property, Plant and Equipment	3,820,256	0	0	(3,910)	401	3,816,747
Debtors	86,931	0	14,008	0	0	100,939
Current Assets	319,731	0	14,008	0	0	333,739
Creditors	(169,542)	0	0	2,475	0	(167,067)
Current Liabilities	(252,739)	0	0	2,475	0	(250,264)
Other Long-Term Liabilities	(207,135)	0	0	1,435	0	(205,700)
Long-Term Liabilities	(2,199,378)	0	0	1,435	0	(2,197,943)
Capital Adjustment Account	1,403,268	(785)	0	0	401	1,402,884
Unusable Reserves	1,621,759	(785)	0	0	401	1,621,375
Renewal and Repairs Fund	50,141	0	14,008	0	0	64,149
General Fund	141,826	785	0	0	0	142,611
Usable Reserves	282,427	785	14,008	0	0	297,220
Total Reserves	1,904,186	0	14,008	0	401	1,918,595
Council						
Balance Sheet						
Council Dwellings	1,037,991	0	0	0	(13,768)	1,024,223
Vehicles, Plant, Furniture and Equipment	98,891	0	0	(3,910)	0	94,981
Assets Under Construction	38,927	0	0	0	14,169	53,096
Property, Plant and Equipment	3,712,529	0	0	(3,910)	401	3,709,020
Debtors	74,389	0	14,008	0	0	88,397
Current Assets	266,614	0	14,008	0	0	280,622
Creditors	(142,671)	0	0	2,475	0	(140,196)
Current Liabilities	(223,556)	0	0	2,475	0	(221,081)
Other Long-Term Liabilities	(205,517)	0	0	1,435	0	(204,082)
Long-Term Liabilities	(2,188,600)	0	0	1,435	0	(2,187,165)
Capital Adjustment Account	1,403,268	(785)	0	0	401	1,402,884
Unusable Reserves	1,511,957	(785)	0	0	401	1,511,573
Renewal and Repairs Fund	50,141	0	14,008	0	0	64,149
General Fund	141,826	785	0	0	0	142,611
Usable Reserves	253,911	785	14,008	0	0	268,704
Total Reserves	1,765,868	0	14,008	0	401	1,780,277

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Housing Revenue Account Income and Expenditure Statement	2016/17 Statements £000	Depreciation £000	2016/17 Re-stated £000
Expenditure			
Depreciation and impairment of non-current assets	19,345	(401)	18,944
Surplus for the year on HRA services	(17,594)	(401)	(17,995)
Movement on the HRA Statement			
Surplus for the year on the HRA Income and Exp Account	17,594	401	17,995
Adjustment between accounting basis and funding basis under statute	(5,708)	(401)	(6,109)

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2018

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 2016/17		2017/18	
£000	EXPENDITURE	£000	£000
27,469	Repairs and maintenance	27,964	
21,069	Supervision and management	20,147	
18,944	Depreciation and impairment of non-current assets	21,165	
5,279	Other expenditure	5,627	
251	Impairment of debtors	(40)	
<u>73,012</u>			74,863
	INCOME		
(95,674)	Dwelling rents	(96,050)	
(496)	Non-Dwelling rents (gross)	(47)	
(5,901)	Other income	(6,357)	
<u>(102,071)</u>			<u>(102,454)</u>
(29,059)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(27,591)
191	HRA share of corporate and democratic core		208
708	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		<u>1,021</u>
(28,160)	Net income for HRA Services		(26,362)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(755)	Gain on sale of HRA fixed assets	3,467	
18,162	Interest payable and similar charges	19,092	
2,410	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,306	
(52)	Interest and investment income	(57)	
(2,013)	Interest income on plan assets (<i>pension-related</i>)	(1,825)	
(7,587)	Capital grants and contributions	(11,280)	
<u>10,165</u>			<u>11,703</u>
<u>(17,995)</u>	Surplus for the year on HRA services		<u>(14,659)</u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

Re-stated 2016/17 £000		2017/18 £000
0	Balance on the HRA at the end of the previous year	0
17,995	Surplus for the year on the HRA Income and Exp Account	14,659
(6,109)	Adjustments between accounting basis and funding basis under statute	(23,701)
<u>11,886</u>	Net increase before transfers to reserves	<u>(9,042)</u>
<u>(11,886)</u>	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>9,042</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

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	
18,944	Charges for depreciation and impairment of non-current assets	21,165
(7,587)	Capital grants and contributions applied	(11,280)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(16,585)	Statutory provision for the financing of capital investment	(18,290)
0	Capital funded from revenue	(19,474)
	Adjustments primarily involving the Capital Receipts Reserve	
(754)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	3,467
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(498)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(536)
	Adjustments primarily involving the Pensions Reserve	
2,016	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,378
(1,503)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,128)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(142)	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	(3)
<u>(6,109)</u>		<u>(23,701)</u>

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 2018 are as follows:

Types of Houses	2018		2017	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	284	3,892.00	316	3,814.00
2 Apartment	5,423	4,351.00	5,367	4,266.00
3 Apartment	9,921	5,043.00	9,920	4,944.00
4 Apartment	3,348	5,807.00	3,353	5,693.00
5 Apartment	502	6,241.00	505	6,118.00
6 Apartment	9	6,287.00	9	6,164.00
7 Apartment	4	6,090.00	4	5,971.00
8 Apartment	1	6,090.00	1	5,971.00
Mid-market rent dwellings				
2 Apartment	23	5,667.00	23	5,556.00
3 Apartment	83	6,956.00	83	6,821.00
4 Apartment	22	8,770.00	22	8,598.00
	<u>19,620</u>		<u>19,603</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.876m (£6.647m 2016/17) against which a provision amounting to £5.730m (£5.757m 2016/17), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £0.566m (2016/17 £0.552m). 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 2018

2016/17 £000		2017/18 £000	£000
(304,281)	Gross council tax levied and contributions in lieu		(337,413)
50,057	Less: - Exemptions and other discounts	53,825	
7,731	- Provision for bad debts	8,481	
23,406	- Council Tax Reduction Scheme	24,217	
3,265	- Other reductions	3,766	
<u>84,459</u>			<u>90,289</u>
(219,822)			(247,124)
<u>(1,569)</u>	Previous years' adjustments		<u>(2,123)</u>
<u>(221,391)</u>	Total transferred to General Fund		<u>(249,247)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.8% (2016/17 96.4%). A 3% increase was applied to Council Tax in 2017/18 following the cessation of the Scottish Government freeze.

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. Bands E to H were rebased for 2017/18 by the Scottish Government as per the Council Tax Base table below.

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 2017/18

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	23,676	74	3,436	3,409	16,905	6/9	11,270	£802.71
B £27,001 - £35,000	47,429	63	3,585	6,807	37,100	7/9	28,856	£936.50
C £35,001 - £45,000	44,132	(14)	3,116	5,251	35,751	8/9	31,779	£1,070.28
D £45,001 - £58,000	39,341	68	2,769	4,080	32,560	9/9	32,560	£1,204.07
E £58,001 - £80,000	41,446	(24)	3,641	3,488	34,293	473/360	45,057	£1,582.01
F £80,001 - £106,000	25,246	(32)	1,505	1,776	21,933	585/360	35,641	£1,956.61
G £106,001 - £212,000	21,556	(107)	478	1,134	19,837	705/360	38,847	£2,357.97
H Over £212,000	3,992	(28)	133	158	3,673	882/360	8,999	£2,949.97
							233,009	
							Add: Contributions in Lieu	516
							Less: Provision for Non-Payment	<u>(7,006)</u>
							Council Tax Base	<u>226,519</u>

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 2018

2016/17		2017/18	
£000		£000	£000
(458,112)	Gross rates levied and contributions in lieu		(461,111)
82,424	Less: - Reliefs and other deductions	99,998	
4,986	- Uncollectable debt written off and provision for impairment	4,794	
<u>87,410</u>			<u>104,792</u>
(370,702)			(356,319)
2,501	Previous years' adjustments		7,305
<u>(368,201)</u>	Net Non-Domestic Rates Income		<u>(349,014)</u>
Allocated to:			
(368,712)	Contribution to National Non-Domestic Rates Pool		(349,501)
511	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		487
<u>(368,201)</u>			<u>(349,014)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 31 March 2018		Number	Rateable Value £000
Shops, offices and other commercial subjects		15,860	661,168
Industrial and freight transport		2,300	68,721
Telecommunications		6	23
Public service subjects		382	41,082
Miscellaneous		4,453	189,034
		<u>23,001</u>	<u>960,027</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £349.501m (2016/17 £368.712m) 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 £355.063m (2016/17 £374.650m).

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 46.6p per £ in 2017/18 (2016/17 48.4p per £).

Properties with a rateable value greater than £35,000 (2016/17 £35,000) had their rate charges calculated using the poundage of 49.2p per £ (2016/17 51.0p 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	£15,000
25% Relief	£15,001 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.

In **2015/16**, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £110,000 of this funding has been used to fund Scott Monument Lighting work and £3,000 on surveys at the City Observatory. The resulting balance of the Common Good Fund is £2.387m as at 31 March 2018 (£2.402m 2016/17). This is split £0.500m in the fund and £1.887m in the planned property maintenance fund.

During 2017/18, the Council made a deficit of £0.015m on the Common Good fund. This is mainly due to no asset disposals in the financial year and other income and overheads remaining stable.

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Property Maintenance Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2017/18 Movements					
Balance at 31 March 2017	512	1,890	(22)	21,994	24,374
Movement in reserves during 2017/18					
(Deficit) / Surplus on the provision of services	(15)	0	0	0	(15)
Revaluation Reserve	0	0	0	(108)	(108)
Total Comprehensive Income and Expenditure	(15)	0	0	(108)	(123)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	(15)	0	0	(108)	(123)
Transfer (to) / from reserves	3	(3)	0	0	0
Increase / (decrease) in year	(12)	(3)	0	(108)	(123)
Balance at 31 March 2018	500	1,887	(22)	21,886	24,251

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Property Maintenance Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2016/17 Comparative Data					
Balance at 31 March 2016	<u>298</u>	<u>2,000</u>	<u>(22)</u>	<u>21,994</u>	<u>24,270</u>
Movement in reserves during 2016/17					
Surplus on the provision of services	104	0	0	0	104
Revaluation Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income and Expenditure	104	0	0	0	104
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	104	0	0	0	104
Transfer (to) / from reserves	<u>110</u>	<u>(110)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / (decrease) in year	<u>214</u>	<u>(110)</u>	<u>0</u>	<u>0</u>	<u>104</u>
Balance at 31 March 2017	<u>512</u>	<u>1,890</u>	<u>(22)</u>	<u>21,994</u>	<u>24,374</u>

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 £000	2017/18 £000	£000
EXPENDITURE		
<u>130</u> Common Good Fund	<u>24</u>	
130 TOTAL EXPENDITURE		24
INCOME		
<u>0</u> TOTAL INCOME	<u>0</u>	
<u>130</u> COST OF SERVICES		<u>24</u>
(225) (Gain) / Loss on disposal of Fixed Assets	0	
(9) Interest and investment income	<u>(9)</u>	
(234) Other Comprehensive Income and Expenditure		(9)
(104) (Surplus) / Deficit on Provision of Services		15
0 (Surplus) / Deficit on revaluation of non-current assets		108
<u>(104)</u> TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE		<u>123</u>

COMMON GOOD FUND - BALANCE SHEET

31 March 2017 £000		31 March 2018 £000	£000
<u>21,892</u>	Community Assets	<u>21,784</u>	
<u>21,892</u>	Property, Plant and Equipment		21,784
<u>103</u>	Heritage Assets	<u>103</u>	
<u>103</u>	Long-term Assets		103
589	Short-Term Investments	503	
<u>1,790</u>	Cash and Cash Equivalents	<u>1,861</u>	
<u>2,379</u>	Current Assets		<u>2,364</u>
<u>24,374</u>	Net Assets		<u>24,251</u>
21,994	Revaluation Reserve	21,886	
<u>(22)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>21,972</u>	Unusable Reserves		21,864
512	Common Good Fund	500	
<u>1,890</u>	Earmarked Reserve	<u>1,887</u>	
<u>2,402</u>	Usable Reserves		<u>2,387</u>
<u>24,374</u>	Total Reserves		<u>24,251</u>

The unaudited accounts were issued on 15 June 2018.

HUGH DUNN, CPFA
Head of Finance
15 June 2018

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2017	21,892	21,892	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(108)	(108)	0
At 31 March 2018	21,784	21,784	103
Net Book Value			
At 31 March 2018	21,784	21,784	103
At 31 March 2017	21,892	21,892	103
Cost or Valuation			
At 1 April 2016	21,892	21,892	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0
At 31 March 2017	21,892	21,892	103
Net Book Value			
At 31 March 2017	21,892	21,892	103
At 31 March 2016	21,892	21,892	103

These asset categories are not depreciated.

1.2 Developing a Common Good Register

Work is underway to collate information regarding those properties historically considered by the Council to be common good, specifically those included on the Common Good register of assets for accounting purposes, relevant parks and other assets with a public function. Work has also progressed on developing a methodology for assessing all properties' common good status, taking into account the relevant legal tests.

A **response** to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government.

The **legislation** has now been laid in Parliament. The relevant provisions come into force on 27 June 2018, and the Scottish Government intends to publish the guidance on or shortly after that date.

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 134).

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

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.

	2017/18		2016/17	
	£000	£000	£000	£000
Balance at 1 April		21,994		21,994
Upward revaluation of assets	0		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(108)		0	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		(108)		0
Derecognition of asset disposals		0		0
Balance at 31 March		<u>21,886</u>		<u>21,994</u>

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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	<u>(22)</u>	<u>(22)</u>
Balance at 31 March	<u>(22)</u>	<u>(22)</u>

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 50 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 and 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 Democracy, Governance and Resilience Senior Manager has reviewed the arrangements and is satisfied that the Code continues to be adequate and effective.

The Council's Corporate Governance Framework has three key elements. These are strategic, decision making structure and internal controls:

Strategic

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2017-2022. The plan forms a central part of the 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. The Plan was approved by the Council in August 2017 and brings together Council strategy, the City Vision, The Community Plan, Budget Plan, People Plan and Directorate business plans into one direction of change. The Plan will be reviewed regularly in order to measure performance and to continue to reflect strategic aims.
- Previously, our programme of transformation focussed 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. As part of the last transformation programme the Council agreed a new approach to delivering change which will ensure decisions to resource new projects are taken as part of an integrated strategy. The new change programme is based on portfolio management principles, with a monthly report taken to the CLT Change Board. The monthly portfolio update reports on all change across the Council including the level of risk being carried, key deliverables and benefits.
- The Council agreed a strategic performance framework 2017-2022 in November 2017. Scrutiny of performance will take place at every level within the organisation to ensure performance monitoring and service improvement. Service areas will continually monitor performance, with senior management teams monitoring their own performance through monthly discussions where areas of risk, good and poor performance will be identified for escalation. The Corporate Leadership Team will focus on performance quarterly, with executive committees considering performance relevant to their area on a six-monthly basis. The Council will consider an annual summary report of all performance issues which will then be further scrutinised by the Corporate Policy and Strategy Committee.

ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

Decision Making Structures

- The Council amended its political management arrangements in June 2017. It aimed to streamline decision making but also ensure key Council services were aligned so that decisions were taken in an informed and effective manner. The executive committee system was kept in place but executive committees were reduced from eight to six. The Corporate Policy and Strategy Committee was retained but strengthened with scrutiny of police and fire services and increased performance monitoring.
- Committee remits of executive committees have been combined to ensure more connectivity in services, joined up decision-making and informed scrutiny. For example, the committees which considered housing and economic issues have been combined to ensure a more place-based holistic approach to decision making which is further strengthened by the scrutiny of the Local Development Plan also being within the remit of the Housing and Economy Committee.
- The Governance, Risk and Best Value Committee provides the Council with assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides 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.
- 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. Local Improvement Plans cover every area of the city and describe in detail our multi-agency approach to improve the delivery of services in our communities.
- Locality Committees were established in November 2017. There is a committee for each locality area and all elected members in that area are members. Powers have been delegated to these committees to undertake policy, strategic and financial decisions on local matters. Locality committees will also concentrate on scrutiny on a local basis. This will allow a greater depth and focus on scrutiny of services aided by local knowledge and community needs. Health and Social Care services will also be scrutinised locally by these committees, adding a new layer of scrutiny for the Integration Joint Board to inform their decisions.
- Action Plans are being developed and subsequently considered at Locality Committees to outline how the objectives of the Locality Improvement Plans would be realised.
- The Corporate Leadership Team meets weekly, led by the Chief Executive and includes all executive directors and key heads of service including the Head of HR, Monitoring Officer, Section 95 Officer and Head of Customer and Information Technology.

Internal Controls

A significant part of the governance framework is the system of internal controls in place to ensure that risks are being identified and managed effectively.

- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. The Council's Business Plan describes our determination to have leading commercial and procurement practices that are sustainable and realise benefits for our customers and the local supply chain. We are also developing a more commercial approach in considering how we best use our assets and generate income in the context of our overall strategic objectives and management of risk. Following the replacement of the former Procurement Capability Assessment (PCA) with the Procurement and Commercial Improvement Programme (PCIP), the Council's score in 2017 of 85.4% was the highest of any local authority in Scotland, with best practice demonstrated in Commercial and Procurement Services' approach to commerciality, partnership working and ensuring compliance.
- 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.

ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- The Chief Executive has overall responsibility to Council, as the principal policy adviser to the Council and statutory 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, as the Council's 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.
- 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 Council's Democracy, Governance and Resilience Senior Manager, reporting to the Head of Strategy and Insight, has responsibility for advising the Council on corporate governance arrangements.
- 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 Council Risk Register and service area risk registers identify risks and the proposed treatment of actions. There is an escalation process in place to ensure identified risks and emerging issues are highlighted at an appropriate level. These registers are regularly reviewed, updated and reported to the Corporate Leadership Team and Governance, Risk and Best Value Committee for scrutiny and challenge.
- A Council Governance Hub, chaired by the Chief Executive, has been established to scrutinise the management of Council Arm's Length External Organisations (ALEOs), seek assurance over the delivery of services and to ensure that the Council is aware of any risks. This responds to the four areas for improvement recommended by Internal Audit - the independence of elected members as directors of companies; governance reporting to Council committees; the Council Observer role; and the annual assurance process for ALEOs. The Hub also provides an opportunity for ALEOs to raise issues directly with the Council's Chief Executive and to engage on issues of common interest.
- Specific work has been undertaken on reviewing the role of the Council's observers on company boards to ensure that the correct officers with the right level of seniority are attending board meetings and are accountable internally. ALEOs are required to report to the Council's Chief Executive once a year, with their forward plans then considered at the relevant Council committee and the accounts and past performance scrutinised by the Governance, Risk and Best Value Committee.
- 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.
- 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 a requirement that officers regularly 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 and a current version of the Register is available on the Council's website.

ANNUAL GOVERNANCE STATEMENT

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 Democracy, Governance and Resilience Senior Manager has reviewed the effectiveness of the Code which has resulted in changes to the 2018/19 process to ensure that the Council's annual governance practice is open, transparent and reflects best practice but also is modernised and meets the needs of a changing Council.

An assurance statement on the effectiveness of the system of internal controls has been provided and 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 Democracy, Governance and Resilience Senior 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.

The evidence of effectiveness from these sources includes:

- 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 31 March 2018. It is the Chief Finance Officer's opinion that reasonable but not absolute assurance can be placed upon its effectiveness. Therefore, the Council is continually seeking to
- Scott-Moncrieff's review of the Council's system of internal controls, the results of which were reported to the Governance, Risk and Best Value Committee in September 2017, concluded that current internal controls were well designed and effective.
- The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit, although some minor instances of non-compliance in 2017/18 were noted. 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 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.
- 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 them. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at 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, where appropriate, supports effective scrutiny and service improvement activities.
- Internal Audit actions are also recorded, monitored and discussed as part of regular update to the Corporate Leadership Team (CLT).
- Following the work in 2014 to improve procure to pay compliance, the target by value of 80% of Oracle expenditure being initiated by a purchase order has been exceeded in every month since May 2017.
- All directorates include in their regular meeting budget issues as standing items on the agenda.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- Audit actions are reviewed monthly by CLT and quarterly reviewed by Governance, Risk and Best Value Committee. Progress in implementing recommendations from previous audit reports has been closely tracked by the Corporate Leadership Team and the Governance, Risk and Best Value Committee. However, a validation exercise in late 2017/early 2018 identified that there were some historic audit actions that had not been implemented. Led by the Chief Executive, an action plan has been created to address the outstanding actions. This will be monitored by Governance, Risk and Best Value Committee in 2018/19.
- The Council's Governance Hub and the changes to Council Company reporting agreed in June 2016 have strengthened the Council's oversight and scrutiny of its ALEOs whilst addressing conflicts of interest. Reporting of ALEO information has improved but further work is needed to ensure all ALEOs are following the agreed reporting structures.
- The Council's property ALEO, EDI, is being wound down and the remaining projects are being transferred to the Council. This has been supported by an officer working group and extensive reporting to the Housing and Economy Committee.
- Financial controls have been strengthened, building on those already in place, including full documentation of all procedures, introduction of an independent review of monthly income and expenditure account reconciliations and independent authorisation of changes to Bankline access rights.
- A corporate policy framework has been put in place which enables a consistent application of policy assurance across the organisation. The process was further streamlined in 2017 to ensure it was an effective process but maintained a robust assurance role focussing on continuous improvement and best practice.
- The whistleblowing service employs an independent organisation to ensure a robust, transparent and trustworthy process. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the Finance and Resources Committee reviews the policy annually.
- 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.
- There is a robust health and safety reporting structure which includes directorate health and safety committees, a quarterly Council health and safety group and a quarterly consultation forum involving the trade unions. Health and safety working groups are in place for fire safety, water safety and asbestos.
- All directorates have risk and assurance committee meetings that meet at least quarterly and ensure escalation of risks. The Corporate Leadership Team's Risk Register continues to be scrutinised quarterly at the Governance, Risk and Best Value Committee.
- Programme/project risks are managed through relevant programme structures and are also reported to the Corporate Leadership Team Change Board. Any new significant change ideas must be agreed through the monthly change board. This approach is now bedding in and being applied to the development of the change strategy, with reporting every six months to the Governance, Risk and Best Value Committee.
- A single risk management system is now in use to manage Health and Social Care Partnership and Integration Joint Board risks.
- An internal Council/Edinburgh Leisure Board, supported by Finance to monitor the financial impacts arising from the transfer of the management of secondary school sports facilities to Edinburgh Leisure, has been established.
- The Chief Internal Auditor reported to the Governance, Risk and Best Value Committee in August 2017 on the overall adequacy of the Council's framework of governance, risk management and controls and found that controls were adequate but enhancements were required across the Council. An assessment in respect of the most recent financial year will be reported to the Governance, Risk and Best Value Committee in August 2018.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- 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 Democracy, Governance and Resilience Senior Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members. As part of the new intake in May 2017, the Council has revised its Councillor Induction and Training programme, drawing upon best practice from other organisations including The Scottish Parliament, informed by exit interviews conducted with councillors who indicated their intention not to stand again and also reflecting the views of political groups. Some distinctive features of the initial training programme for those elected members joining the Council in May 2017 included a Welcome Event, a 'Freshers Fayre', organised tours, each councillor being allocated a dedicated senior manager as a buddy to assist their assimilation and an informal evening reception at which their families could join them.
- The induction training itself was structured in two phases – concentrating initially on what was immediately required, mandatory training (Councillors' Code of Conduct, etc.), that which is of practical necessity (how committees and the decision-making process works, how to deal with casework, etc.) and core training for quasi-judicial functions (licensing, planning, etc.) together with some introductory sessions for each service area. An area on the Orb was also created to store information for elected members so that information was easily accessible. Training had a high uptake with mandatory training on the Code of Conduct being attended by 98% of elected members and the final member attending an individual training session.

Actions

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions have been identified to improve the Council's governance arrangements:

- The Chief Executive will report to the Governance, Risk and Best Value Committee in June 2018 outlining the actions taken and status of the historic outstanding audit actions. Internal Audit and directorates will continue to work on ensuring improved processes are in place to avoid repeat issues. (June 2018 and onwards)
- Workforce controls will be reported to the Finance and Resources Committee in June 2018 outlining improved and increased management information to facilitate workforce controls, strategic workforce planning and to measure performance. (Executive Director of Resources)
- A number of instances of overpayments to Council employees have been identified by Human Resources. A plan has been developed to improve management of the repayment process and mitigate the likelihood of recurrence this over 2018. (Executive Director of Resources)
- A review is taking place of health and safety risk assessments in Facilities Management from May 2018 (Executive Director of Resources). Work is also undergoing with Communities and Families to ensure clarity around roles and responsibilities regarding health and safety.
- Corporate health and safety training programme to be reviewed during 2018 by the Executive Director of Resources 2018.
- A risk governance framework is being created for Health and Social Care Partnership risks to sit alongside the already established Integration Joint Board risks (Chief Officer – Health and Social Care Partnership)
- The Assurance Statement template will be reviewed by December 2018 to ensure more effective, concise but robust process (Chief Executive).
- A review has taken place of cash handling within social care and health business support teams and improvements will be rolled out in 2018.
- Management actions being implemented to ensure processing of payments to contractors effectively and in line with the Council's policies and procedures.
- Work is ongoing to develop an improved business continuity plan for the Council's mortuary service by July 2018. (Executive Director of Place)

ANNUAL GOVERNANCE STATEMENT

Actions - continued

- Reporting of ALEOs is made to executive committees and the Chief Executive but not all of the ALEOs are also reporting to the Governance, Risk and Best Value Committee. Work will be undertaken with directors and the Governance Hub to improve awareness and compliance with the reporting process. (Chief Executive)
- During 2017, issues were identified with service delivery in Building Standards. An improvement plan has been established and will be undertaken with the support of the Scottish Government. Reporting has taken place at the Governance, Risk and Best Value Committee and the Planning Committee. (Executive Director of Place)
- A review of arrangements is underway to ensure ALEOs have a service level agreement or funding agreement. (Various Directors)
- Action is being taken to ensure a higher percentage of return from schools regarding self-assurance. (Executive Director of Communities and Families)
- Work is underway to ensure the appointment of deputies for resilience co-ordinators in each directorate. (All)
- Work is ongoing across the Council to identify any gaps regarding compliance with GDPR, this will be monitored and reported to the Corporate Leadership Team as well as being reported to committee. (All)

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 was over £150,000 per annum during the year covered by these accounts. 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 146 to 158 in this remuneration report will be audited by Scott-Moncrieff. The other sections of the remuneration report will be reviewed by Scott-Moncrieff 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 2017. 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 Councillors' remuneration, 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.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2017/18, the remuneration for the Leader of the City of Edinburgh Council was £50,783. 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 2017/18 this was £38,087. 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 Senior Councillors shall not exceed £660,171. 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.

	No. 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 Communities (formerly Culture and Sport), Housing and Economy (formerly Economy), Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Integration Joint Board (formerly Health, Social Care and Housing) Committees	8	62.5%
Convener of Licensing Board	1	55%
Convener of Governance, Risk and Best Value	1	50%
Vice-Conveners of Culture and Communities (formerly Culture and Sport), Housing and Economy (formerly Economy), Education, Children and Families, Finance and Resources, Planning and Transport and Environment Committees	6	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	47.5%

In addition, 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.

REMUNERATION REPORT

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/149 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2017 to March 2018. Circular CO/149 also 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 Executive 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 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.

Senior Councillor Roles

There have been a number of changes in Senior Councillors during the year mainly as a result of the local government election in May 2017. The following provides details of Senior Councillor appointments during 2017/18 and the Councillors who served in those capacities. The new administration was formed on 22 June 2017, so the senior roles were vacant from the date of the election to that date. Remuneration for senior councillors therefore includes two months at the basic councillor salary.

Role	Until May 2017 Election	From 22 June 2017 Council Meeting	From 23 November 2017 Council Meeting	From 23 February 2018 Council Meeting	From 15 March 2018 Council Meeting
Leader of the Council	A. Burns	A. McVey	A. McVey	A. McVey	A. McVey
Lord Provost	D. Wilson	F. Ross	F. Ross	F. Ross	F. Ross
Depute Leader of the Council	F. Ross	C. Day	C. Day	C. Day	C. Day
Depute Convener	C. Cardownie	J. Griffiths	J. Griffiths	J. Griffiths	J. Griffiths
Convener of Culture and Communities (formerly Culture and Sport)	R. Lewis	D. Wilson	D. Wilson	D. Wilson	D. Wilson
Convener Housing and Economy (formerly Economy)	G. Barrie	G. Barrie	G. Barrie	G. Barrie	K. Campbell
Convener Education, Children and Families	C. Day	I. Perry	I. Perry	I. Perry	I. Perry
Convener Finance and Resources	A. Rankin	A. Rankin	A. Rankin	A. Rankin	A. Rankin
Convener Edinburgh Integration Joint Board (formerly Health, Social Care and Housing)	R. Henderson	R. Henderson	R. Henderson	R. Henderson	R. Henderson
Convener Planning	I. Perry	L. Ritchie	N. Gardiner	N. Gardiner	N. Gardiner
Convener Regulatory	M. Bridgman	C. Fullerton	C. Fullerton	C. Fullerton	C. Fullerton
Convener Transport and Environment	L. Hinds	L. Macinnes	L. Macinnes	L. Macinnes	L. Macinnes

REMUNERATION REPORT

Senior Councillor Roles - continued

Role	Until May 2017 Election	From 22 June 2017 Council Meeting	From 23 November 2017 Council Meeting	From 23 February 2018 Council Meeting	From 15 March 2018 Council Meeting
Convener Licensing Board	E. Milligan	N. Work	N. Work	N. Work	N. Work
Convener Governance, Risk and Best Value	J. Mowat	J. Mowat	J. Mowat	J. Mowat	J. Mowat
North East Locality Chair	n/a	M. Child	M. Child	M. Child	M. Child
South East Locality Chair	n/a	M. Watt	M. Watt	M. Watt	M. Watt
North West Locality Chair	n/a	G. Gordon	G. Gordon	R. Aldridge (09.02.18)	R. Aldridge
South West Locality Chair	n/a	D. Dixon	D. Dixon	D. Dixon	D. Dixon
Vice Convener of Culture and Communities (formerly Culture and Sport)	N. Austin-Hart	I. Campbell	I. Campbell	I. Campbell	A. McNeese-Mechan
Vice Convener Housing and Economy (formerly Economy)	G. Munro	L. M. Cameron	L. M. Cameron	L. M. Cameron	L. M. Cameron
Vice Convener Education, Children and Families	C. Fullerton	A. Dickie	A. Dickie	A. Dickie	A. Dickie
Vice Convener Finance and Resources	B. Cook	M. Donaldson	M. Donaldson	M. Donaldson	M. Donaldson
Vice Convener Planning	A. Lunn	n/a	n/a	n/a	M. Child
Vice Convener Regulatory	A. Blacklock	n/a	n/a	n/a	n/a
Vice Convener Transport and Environment	A. McVey	K. Doran	K. Doran	K. Doran	K. Doran
Vice Convener Governance, Risk and Best Value	n/a	M. Main	M. Main	M. Main	M. Main
Opposition Group Leaders - Conservative	C. Rose	I. Whyte	I. Whyte	I. Whyte	I. Whyte
Opposition Group Leaders - Green	S. Burgess	S. Burgess	M. Main	M. Main	M. Main
Opposition Group Leaders - Liberal Democrat	n/a	R. Aldridge	R. Aldridge	R. Aldridge	R. Aldridge
Councillors Convener Lothian Valuation Joint Board	N. Work	D. Key (21.08.17)	D. Key	D. Key	D. Key

REMUNERATION REPORT

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 147 and 148. 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. (* Denotes former Councillor)

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2017/18 £	Total Remun. 2016/17 £
A. McVey (full year equivalent)	43,703 50,783	0	734	44,437	23,537
F. Ross (full year equivalent)	37,284 38,087	0	2,849	40,133	38,823
C. Day (full year equivalent)	34,790 38,087	0	102	34,892	27,246
J. Griffiths (full year equivalent)	24,024 25,391	0	194	24,218	19,554 22,807
A. Burns* (full year equivalent)	4,632 50,783	0	0	4,632	50,786
S. Cardownie* (full year equivalent)	2,316 25,391	0	6	2,322	25,458
<u>Conveners (FYE £31,739)</u>					
D. Wilson	30,333	25	687	31,045	39,690
A. Rankin	29,870	13	127	30,010	33,169
R. Henderson	24,950	0	725	25,675	33,669
I. Perry	29,870	0	104	29,974	33,123
G. Barrie	29,870	0	1,501	31,371	33,715
K. Campbell	15,380	0	725	16,105	n/a
L. Macinnes	26,859	0	758	27,617	n/a
L. Ritchie	23,466	0	725	24,191	n/a
N. Gardiner	20,317	0	630	20,947	n/a
C. Fullerton	28,944	0	99	29,043	22,923
M. Child	23,040	0	95	23,135	22,903
R. Lewis*	3,011	0	106	3,117	33,133
M. Bridgman*	3,011	0	127	3,138	33,079
L. Hinds*	3,011	0	0	3,011	33,830
<u>Conveners (FYE £27,930)</u>					
N. Work (Note 1)	25,837	131	1,181	27,149	23,126
E. Milligan*	2,779	0	0	2,779	30,409
<u>Conveners (FYE £25,391)</u>					
J. Mowat	24,256	0	95	24,351	24,007
<u>Former Conveners</u>					
W. Henderson* (full year equivalent)	1,853 20,273	0	95	1,948	20,369
P. Godzik* (full year equivalent)	n/a	n/a	n/a	n/a	26,631 32,943
J. Balfour* (full year equivalent)	n/a	n/a	n/a	n/a	6,820 25,341

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2017/18 £	Total Remun. 2016/17 £
Council's Leader, Civic Head and Senior Councillors					
<u>Vice-Conveners (FYE £25,391)</u>					
G. Munro	17,465	0	804	18,269	23,538
M. Donaldson	23,484	0	112	23,596	n/a
I. Campbell	21,940	0	1,418	23,358	n/a
A. McNeese-Mechan	15,380	0	798	16,178	n/a
A. Dickie	21,940	0	725	22,665	n/a
L M. Cameron	21,940	0	1,983	23,923	n/a
K. Doran	23,484	0	746	24,230	n/a
N. Austin-Hart*	2,085	0	0	2,085	22,807
A. Blacklock*	2,085	0	94	2,179	23,569
B. Cook*	2,085	0	0	2,085	22,807
A. Lunn*	2,085	0	95	2,180	23,536
<u>Locality Committee Conveners (FYE £24,121)</u>					
M. Watt	20,955	0	162	21,117	n/a
G. Gordon	20,955	0	728	21,683	n/a
D. Dixon	22,499	24	96	22,619	n/a
<u>Opposition Group Leaders (FYE £24,121)</u>					
C. Rose	17,696	0	399	18,095	25,341
I. Whyte	22,499	0	1,149	23,648	n/a
S. Burgess	21,279	0	150	21,429	26,158
M. Main	18,916	0	635	19,551	n/a
R. Aldridge	22,499	0	0	22,499	n/a
<u>Councillors (FYE £21,160)</u>					
D. Key (Note 1)	20,204	0	108	20,312	n/a

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2017/18 was £3,560 (2016/17 £4,225). Expenses relate to Councillor role.
2. The full year equivalent under Salary, Fees and Allowances represents the Senior Responsibility Allowance at the year end for the position.

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). The number of elected Members increased from 58 to 63 following the Local Government Elections, held in May 2017:

	2017/18 £	2016/17 £
Salaries	1,330,242	1,280,368
Expenses		
<i>Claimed by councillors</i>	950	1,693
<i>Paid directly by the Council</i>	40,371	25,467
Total	<u>1,371,563</u>	<u>1,307,528</u>

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2017/18 £	Total Remun. 2016/17 £
Council's Senior Officers				
A. Kerr, Chief Executive	167,468	0	167,468	165,810
A. Gaw, Executive Director of Communities and Families <i>and Chief Social Work Officer (from 29.08.17)</i>	150,390	0	150,390	148,901
R. McCulloch-Graham, Integration Joint Board Chief Officer <i>(to 05.09.17)</i> <i>(full year equivalent)</i>	48,422	20,245	68,667 75,195	74,451
P. Lawrence, Executive Director of Place	150,390	0	150,390	148,901
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer <i>(to 29.08.17)</i> Interim Integration Joint Board Chief Officer <i>(from 29.08.17)</i> <i>(full year equivalent)</i>	87,086	0	87,086 75,195	102,256
S. Moir, Executive Director of Resources <i>(from 03.07.17)</i> <i>(full year equivalent)</i>	111,984	0	111,984 150,390	n/a
H. Dunn, Head of Finance <i>(from 01.07.17)</i> and Acting Executive Director of Resources <i>(to 30.06.17)</i> <i>(full year equivalent)</i>	119,138	0	119,138 108,720	148,901
Total	834,878	20,245	855,123	789,220

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. The approved remuneration for A Kerr for Returning Officer Duties in 2017/18 amounted to £19,884.
2. R. McCulloch-Graham left his role as Integration Joint Board Chief Officer on 05 September 2017. R. McCulloch-Graham was employed by the Council with 50% of his salary costs reflected above. M. Miller took up the position of Chief Officer with 50% of her salary costs from 29 August 2017 reflected above and the full costs reflected before then. The full year equivalent figure reflects the salary for the Integration Joint Board Chief Officer, funded 50% by NHS Lothian and the Integration Joint Board.
3. S. Moir was appointed Executive Director of Resources in July 2017. Salaries shown for S. Moir and H. Dunn relate to the responsibilities shown. The full year equivalent relates to the role at the end of the year.
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 2017 and 2016 respectively.

	Salary, Fees and Allowances	Bonus	Other Benefits	Total Remun. 2017/18	Total Remun. 2016/17
	£	£	£	£	£
Council's Subsidiary Companies					
E. Adair, Operations and Finance Director, EDI Group	105,377	0	1,282	106,659	105,665
M. Dallas, Chief Executive, EICC	139,138	27,316	0	166,454	162,900
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (<i>Note 2</i>)	139,200	0	0	139,200	122,960
J. Rafferty, Chief Executive, Capital City Partnership (<i>until 1.12.16</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	n/a	119,924 73,524
R. Hunter, Chief Executive, Capital City Partnership (<i>from 21.11.16</i>) (<i>full year equivalent</i>)	50,414	0	0	50,414	20,204 48,490
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	100,500	0	0	100,500	92,000
<u>Transport for Edinburgh</u>					
G. Lowder, Chief Executive (<i>from</i> <i>07.01.16</i>) (<i>full year equivalent</i>)	141,800	0	0	141,800	153,847 156,664
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director (<i>until</i> <i>31.01.16</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	n/a	120,123 212,786
W. Devlin, Engineering Director (<i>until</i> <i>31.01.17</i>) (<i>full year equivalent</i>)	12,900	0	0	12,900 154,804	355,103 212,786
N. Strachan, Finance Director (<i>until</i> <i>31.01.17</i>) (<i>full year equivalent</i>)	12,900	0	0	12,900 154,804	353,613 212,786
R. Hall, Managing Director (<i>from</i> <i>01.05.16</i>) (<i>full year equivalent</i>)	165,000	46,200	0	211,200	143,188 214,500
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager (<i>from</i> <i>01.02.16</i>) (<i>full year equivalent</i>)	96,750	14,479	0	111,229	101,672 109,418
	<u>963,979</u>	<u>87,995</u>	<u>1,282</u>	<u>1,053,256</u>	<u>1,851,199</u>

Notes:

- 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 £139,200 in 2017/18, including VAT (2016/17 £122,960, including VAT).

REMUNERATION REPORT

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.

	2017/18	2016/17		2017/18	2016/17
£50,000 - £54,999	179	199	£110,000 - £114,999	2	1
£55,000 - £59,999	142	116	£115,000 - £119,999	1	1
£60,000 - £64,999	47	42	£120,000 - £124,999	0	1
£65,000 - £69,999	32	41	£125,000 - £129,999	0	1
£70,000 - £74,999	29	26	£130,000 - £134,999	1	0
£75,000 - £79,999	19	20	£135,000 - £139,999	0	1
£80,000 - £84,999	2	2	£140,000 - £144,999	0	1
£85,000 - £89,999	3	4	£145,000 - £149,999	0	3
£90,000 - £94,999	1	3	£150,000 - £154,999	2	0
£95,000 - £99,999	3	1	£155,000 - £159,999	0	0
£100,000 - £104,999	10	8	£160,000 - £164,999	0	0
£105,000 - £109,999	0	0	£165,000 - £169,999	1	1
			Total No. of Employees	474	472

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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18 £000	2016/17 £000
£0 - £20,000								
- Council	0	0	48	150	48	150	606	1,855
- Group companies	0	0	2	2	2	2	25	18
£20,001 - £40,000								
- Council	0	0	38	147	38	147	1,112	4,174
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	13	80	13	80	635	3,904
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	2	38	2	38	153	2,696
- Group companies	0	0	0	1	0	1	0	71
£80,001 - £100,000								
- Council	0	0	3	15	3	15	250	1,350
- Group companies	0	0	0	1	0	1	0	89
£100,001 - £150,000								
- Council	0	0	1	25	1	25	132	2,958
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	2	8	2	8	343	1,309
- Group companies	0	0	0	1	0	1	0	190
£200,001 - £250,000								
- Council	0	0	0	2	0	2	0	416
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	0	0	0	0	0	0
- Group companies	0	0	0	0	0	0	0	0
£300,001 - £350,000								
- Council	0	0	0	0	0	0	0	0
- Group companies	0	0	0	1	0	1	0	325
	<u>0</u>	<u>0</u>	<u>109</u>	<u>471</u>	<u>109</u>	<u>471</u>	<u>3,256</u>	<u>19,355</u>

REMUNERATION REPORT

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 2017/18 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £20,700 (2016/2017 £20,500)	5.50%
On earnings above £20,700 and up to £25,300 (2016/2017 £20,500 to £25,000)	7.25%
On earnings above £25,300 and up to £34,700 (2016/2017 £25,000 to £34,400)	8.50%
On earnings above £34,700 and up to £46,300 (2016/2017 £34,400 to £45,800)	9.50%
On earnings above £46,300 (2016/2017 £45,800)	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 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.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2017/18, the equivalent of 8.9 FTE (across 15 individuals) of paid facility time was made available, with an associated cost of £0.31m. This sum equates to 0.06% of the Council's overall paybill.

Of the total time made available, four individuals spent 100% of time during the year on trade union-related activities, two between 51% and 99% and the remaining nine between 20% and 50%.

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 2018 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

Council's Leader and Civic Head	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.18 £	For year to 31.03.17 £		As at 31.03.18 £000	Difference from 31.03.17 £000
A. McVey	9,309	4,858	Pension	3	1
			Lump Sum	0	0
F. Ross	7,941	8,096	Pension	4	1
			Lump Sum	0	0
C. Day	6,197	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Griffiths	5,117	4,140	Pension	2	0
			Lump Sum	0	0
A. Burns*	987	10,795	Pension	7	0
			Lump Sum	3	0
Senior Councillors					
D. Wilson	6,461	8,096	Pension	6	1
			Lump Sum	2	0
A. Rankin	6,362	7,017	Pension	4	1
			Lump Sum	0	0
R. Henderson	5,314	7,017	Pension	5	0
			Lump Sum	2	0
I. Perry	6,362	7,017	Pension	5	0
			Lump Sum	2	0
G. Barrie	6,362	7,017	Pension	4	1
			Lump Sum	0	0
M. Child	5,503	4,858	Pension	9	1
			Lump Sum	16	1
G. Munro	3,720	4,858	Pension	4	0
			Lump Sum	2	1
J. Mowat	5,166	5,093	Pension	2	0
			Lump Sum	0	0
R. Aldridge	4,792	n/a	Pension	4	n/a
			Lump Sum	2	n/a
D. Dixon	4,792	n/a	Pension	2	n/a
			Lump Sum	0	n/a
I. Whyte	4,792	n/a	Pension	5	n/a
			Lump Sum	2	n/a
M. Main	4,029	n/a	Pension	2	n/a
			Lump Sum	0	n/a
K. Doran	5,002	n/a	Pension	2	n/a
			Lump Sum	0	n/a
N. Gardiner	4,328	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
K. Campbell	3,275	n/a	Pension	n/a	n/a
			Lump Sum	n/a	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 31.03.18 £	For year to 31.03.17 £		As at 31.03.18 £000	Difference from 31.03.17 £000
L. Macinnes	5,721	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Donaldson	5,002	n/a	Pension	1	0
			Lump Sum	1	0
M. Watt	4,463	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
G. Gordon	4,463	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
S. Burgess	4,533	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
I. Campbell	4,673	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
A. McNeese-Mechan	3,276	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
A. Dickie	4,673	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
L. M. Cameron	4,673	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
R. Lewis*	651	7,017	Pension	3	0
			Lump Sum	0	0
P. Godzik*	n/a	5,546	Pension	n/a	n/a
			Lump Sum	n/a	n/a
L. Hinds*	641	7,017	Pension	6	0
			Lump Sum	7	0
E. Milligan*	592	6,477	Pension	5	1
			Lump Sum	2	0
M. Bridgman*	641	7,017	Pension	5	0
			Lump Sum	1	0
W. Henderson*	395	4,318	Pension	2	0
			Lump Sum	0	0
N. Austin Hart*	444	4,858	Pension	4	0
			Lump Sum	2	0
A. Blacklock*	444	4,858	Pension	4	0
			Lump Sum	2	0
A. Lunn*	444	4,858	Pension	2	0
			Lump Sum	0	0
N. Work (including role as Convener of Lothian Valuation Joint Board)	5,503	4,498	Pension	4	0
			Lump Sum	2	0
D. Key (including role as Convener of Lothian Valuation Joint Board)	4,304	n/a	Pension	2	n/a
			Lump Sum	0	n/a

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.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2018 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 31.03.18 £	For year to 31.03.17 £		As at 31.03.18 £000	Difference from 31.03.17 £000
A. Kerr, Chief Executive (<i>including returning officer role</i>)	35,671	35,318	Pension	9	9
			Lump Sum	0	0
A. Gaw, Executive Director of Communities and Families and Chief Social Work Officer (<i>from 29.08.17</i>)	32,033	31,716	Pension	71	4
			Lump Sum	142	1
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>to 05.09.17</i>)	6,545	15,858	Pension	n/a	n/a
			Lump Sum	n/a	n/a
S. Moir, Executive Director of Resources (<i>from 03.07.17</i>)	23,853	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Lawrence, Executive Director of Place	32,033	31,716	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Miller, Interim Integration Joint Board Chief Officer (<i>from 29.08.17</i>) and Chief Social Work Officer (<i>to 29.08.17</i>)	27,860	21,781	Pension	55	13
			Lump Sum	105	23
H. Dunn, Head of Finance (<i>from 01.07.17</i>) and Acting Executive Director of Resources (<i>to 30.06.17</i>)	25,376	31,716	Pension	58	(10)
			Lump Sum	115	(28)
Total	183,371	168,105			

Notes:

All senior employees shown in the previous table above are members of the Local Government Pension Scheme. 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 2018, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 154.

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.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2018 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 31.03.18 £	For year to 31.03.17 £		As at 31.03.18 £000	Difference from 31.03.17 £000
E. Adair, Operations and Finance Director, EDI Group	21,606	20,535	Pension	31	4
			Lump Sum	44	3
M. Dallas, Chief Executive, EICC	18,283	17,821	Pension	n/a	n/a
			Lump Sum	n/a	n/a

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.18 £	For year to 31.03.17 £		As at 31.03.18 £000	Difference from 31.03.17 £000
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	n/a	3,789	Pension Lump Sum	n/a n/a	n/a n/a
W. Devlin, Engineering Director	3,109	75,587	Pension Lump Sum	n/a n/a	n/a n/a
N. Strachan, Finance Director	3,109	210,249	Pension Lump Sum	n/a n/a	n/a n/a
R. Hall, Managing Director	16,500	6,875	Pension Lump Sum	n/a n/a	n/a n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager (from 01.02.16)	9,675	8,225	Pension Lump Sum	n/a n/a	n/a n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive (until 01.12.16)	n/a	9,558	Pension Lump Sum	n/a n/a	n/a n/a
R. Hunter, Chief Executive	9,790	n/a	Pension Lump Sum	n/a n/a	n/a n/a
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	20,685	19,596	Pension Lump Sum	20 13	3 1
Total	<u>102,757</u>	<u>372,235</u>			

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 2017 and 31 December 2016 respectively.

E. Adair, J. Rafferty and C. Scott 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.

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.

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:

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

(as shown on page 20 of the Unaudited Financial Statements)

	£000	2017/18 £000	£000
Total Comprehensive (Income) and Expenditure			(394,759)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(233,381)	
Gains and losses relating to pension liability		(228,001)	
Other unrealised losses		(2,812)	
		<u> </u>	<u>(464,194)</u>
Surplus on provision of services, per CIES			69,435
<u>Amounts included in the CIES but required by statute to be excluded when determining the General Fund surplus for the year</u>			
Depreciation and impairment of fixed assets	(199,125)		
Net loss on sale of fixed assets	(5,292)		
Revenue expenditure funded from capital under statute	44,411		
Finance costs - statutory adjustments	1,929		
Net charges made for retirement benefits in accordance with IAS 19	<u>(110,511)</u>		
		(268,588)	
<u>Amounts not included in the CIES but required to be included by statute when determining the General Fund surplus for the year</u>			
Statutory provision for repayment of debt (includes voluntary repayments)	76,100		
Lease repayments (including element relating to PPP contracts)	7,892		
Capital expenditure charged to the General Fund balance	(44,411)		
Capital expenditure funded from revenue	22,200		
Change in fair value of Investment Properties	1,420		
Capital grants and contributions credited to the CIES	76,599		
Net transfer for holiday pay accrual	(640)		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	<u>59,937</u>		
		199,097	
<u>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</u>			
Statutory transfer of HRA surplus to Renewal and Repairs Fund	(9,042)		
Net Transfer from earmarked reserves	<u>424</u>		
		<u>(8,618)</u>	
			<u>(78,109)</u>
General Fund Surplus reported in Financial Statements			(8,674)

	2017/18	
£000	£000	£000
Consolidation Adjustments		
Funds (drawn down from) / contributed to earmarked balances:		
- Balances set aside for specific investment	15,753	
- City Strategic Investment Fund	(719)	
- Council Priorities Fund (net of transfer of year-end surplus)	387	
- Council Tax Discount Fund	3,198	
- Devolved School Management and Pupil Equity fund	3,070	
- Dilapidation fund	(7,266)	
- Environment	(250)	
- Energy efficiency	80	
- Equal Pay	49	
- Insurance fund	1,208	
- Licensing income	(13)	
- Lothian Buses	(3,407)	
- Other minor funds	(18)	
- Outdoor Centres	(36)	
- Pre-paid PPP monies	412	
- Recycling monies	(464)	
- Salix / CEEF	(1,127)	
- Savings set aside for IT projects	(2,047)	
- Spend to save	(1,017)	
- Unspent grants	(1,059)	
- Weather Emergency	(476)	
		<u>6,258</u>
General Fund Surplus		<u><u>(2,416)</u></u>

REVENUE BALANCES

	Balance at 31-Mar-17 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31-Mar-18 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	25,659	(8,813)	23,803	40,649
Contingency funding, incl workforce	18,094	0	49	18,143
Council Priorities Fund	4,886	(1,312)	4,117	7,691
Dilapidations fund	12,344	(9,267)	2,000	5,077
Insurance funds	14,667	(17)	1,225	15,875
	<u>75,650</u>	<u>(19,409)</u>	<u>31,194</u>	<u>87,435</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	3,093	(272)	259	3,080
Lothian Buses	3,795	(3,587)	180	388
Other minor funds	236	(18)	0	218
Pre-paid PPP monies	2,155	0	412	2,567
Recycling monies	1,161	(464)	0	697
Council Tax Discount Fund	24,234	0	3,198	27,432
Unspent grants	2,934	(2,722)	1,662	1,874
City Strategic Investment Fund	6,180	(768)	49	5,461
	<u>43,788</u>	<u>(7,831)</u>	<u>5,760</u>	<u>41,717</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Savings set aside for IT projects	2,046	(2,068)	22	0
Energy efficiency	98	0	80	178
Salix / CEEF	1,324	(1,324)	197	197
Spend to save	3,992	(1,026)	9	2,975
	<u>7,460</u>	<u>(4,418)</u>	<u>308</u>	<u>3,350</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management	<u>2,688</u>	<u>(2,688)</u>	<u>5,758</u>	<u>5,758</u>
Unallocated General Reserve	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Reserve	<u>142,611</u>	<u>(34,346)</u>	<u>43,020</u>	<u>151,285</u>

10.00am, Thursday, 28 June 2018

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2018 (and Financial Statements) Unaudited – referral from the Pensions Committee

Item number	8.10
Report number	
Wards	All

Executive summary

The purpose of this report is to present the unaudited Annual Report for the year ended 31 March 2018 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.

The Accounts show that the Lothian Pension Fund net asset valuation increased from £6,595m to £6,665m and Lothian Buses Pension Fund increased from £488m to £509m. The Scottish Homes Pension Fund decreased from £171m to £164m.

Terms of Referral

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2018 (and Financial Statements) Unaudited

Terms of referral

- 1.1 On 27 June 2018, the Pensions Committee considered a report setting out the Unaudited Annual Report for 2018 and Financial Statements for Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.
- 1.2 The Pensions Committee agreed:
 - 1.2.1 To note the unaudited Annual Report for the year ended 31 March 2018 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 note the report.

Background reading / external references

Pensions Committee 27 June 2018.

Laurence Rockey

Head of Strategy and Insight

Contact: Lesley Birrell, Committee Officer

Email: lesley.birrell@edinburgh.gov.uk | Tel: 0131 529 4240

Links

Appendix 1

Report by the Executive Director of Resources

Pensions Committee

2.00pm, Wednesday, 27 June 2018

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2018 (and Financial Statements) Unaudited

Item number	8.10
Report number	
Executive/routine	
Wards	All
Council Commitments	Delivering a Council that works for all

Executive Summary

The purpose of this report is to present the unaudited Annual Report for the year ended 31 March 2018 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 2018 is attached as Appendix 1. Reflecting positive, albeit muted, investment returns, the Accounts show that the Lothian Pension Fund net asset valuation increased from £6,595m to £6,665m, Lothian Buses Pension Fund increased from £488m to £509m and, given its mature membership profile, Scottish Homes Pension Fund decreased from £171m to £164m.

Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2018 (and Financial Statements) Unaudited

1. Recommendations

Committee is requested to:

- 1.1 Note the unaudited Annual Report for the year ended 31 March 2018 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund; and
- 1.2 Refer this report, for information, to the City of Edinburgh Council, in its role as administering authority of the Pension Funds.

2. 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 Local authorities are required to account for pension funds in accordance with the applicable 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".

- 2.4 In March 2016, CIPFA revised and updated this guidance. Whilst the underlying principle of transparency of investment cost remained unchanged, a degree of relaxation to full cost disclosure was introduced. Specifically, for complex “Fund of Fund” structures, “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”.
- 2.5 At its meeting on 28 September 2016, the Pensions Committee agreed to instruct the Committee Clerk to communicate, to the Chartered Institute of Public Finance and Accountancy (CIPFA), Audit Scotland and the Scottish Local Government Pension Scheme Advisory Board (SLGPSAB), the Committee’s and Convenor’s disquiet with the relaxation of the principle of full cost transparency of investment management fees, as explicit in CIPFA’s revised guidance “Accounting for Local Government Pension Scheme Management Costs”.
- 2.6 SLGPSAB has improving cost transparency and investment fee consistency in its current work plan. On 18 November 2016, it issued Circular 01/2016, entitled “Transparency Code”. This stated that it welcomed the “Code of Transparency for LGPS asset managers”, as developed by its counterpart in England and Wales, and asked “pension funds in Scotland to promote the code with their own asset managers”. This Code is voluntary with asset managers encouraged to demonstrate their commitment to transparent reporting of costs.
- 2.7 In May 2018, CIPFA published “Proposals for LGPS Fund Reporting in a ‘Pooled World’”. “This sets out proposals for revised reporting for LGPS pension funds to meet a number of objectives”, including “to further enhance reporting of costs reflecting the introduction of the LGPS SAB Code of Transparency for asset managers, and initiatives underway by the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP) which aim to create more transparent and granular reporting standards for both providers and trustees This paper has been issued by CIPFA as good practice which is to be incorporated into 2018/19 Annual Report guidance for local government pension funds. It would be helpful however if funds could also apply the guidance when preparing their 2017/18 annual reports and feedback any practical issues encountered. Proposals can then be refined as necessary before the Annual Report guidance is finalised.” Although this contains explicit reference to the SAB in England and Wales and to the applicable pooling arrangements, it is anticipated that CIPFA Guidance will be revised on a UK wide basis.
- 2.8 The financial statements of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund continue to include full transparency of all investment management fees.
- 2.9 With the, FCA regulated, investment services company, LPFI Limited, commencing trading on 28 February 2017, consolidated financial statements have again been prepared for Lothian Pension Fund for the year ended 31 March 2018. These consolidated financial statements combine those of the Fund (the parent entity) and

its controlled entities (the investment staffing company, LPFE Limited, and now also LPFI Limited) as defined in International Accounting Standard (IAS) 27.

- 2.10 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 28 June 2018.

3. Main report

Unaudited Lothian Pension Funds Annual Report

- 3.1 A copy of the unaudited Annual Report for the year to 31 March 2018 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 Pensions 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 Head of Finance 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 Reflecting positive, albeit muted, investment returns, the Accounts show that the Lothian Pension Fund net asset valuation increased from £6,595m to £6,665m, Lothian Buses Pension Fund increased from £488m to £509m and, given its mature membership profile, Scottish Homes Pension Fund decreased from £171m to £164m.
- 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. The Annual Report 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, prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. This provides a summary of the triennial valuation as at 31 March 2017, with commentary by the Actuary of the experience over the subsequent year.
- 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 28 June 2018.
 - b. In order to meet the statutory timetable, the Pensions Audit Sub-Committee of 25 September 2018 and thereafter the Pensions Committee, at its meeting on 26 September 2018, 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 2018.
 - c. It is anticipated that City of Edinburgh Council should note the audited accounts at its meeting on 25 October 2018.

4. 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 2018. This will be determined in due course.

5. Financial impact

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

6. 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.

7. Equalities impact

- 7.1 There are no adverse equalities implications as a result of this report.

8. Sustainability impact

8.1 There are no adverse sustainability impacts arising from this report.

9. Consultation and engagement

9.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Fund and they are invited to comment on the relevant matters at Committee meetings.

10. Background reading/external references

10.1 None.

Stephen S. Moir

Executive Director of Resources

Contact: John Burns, Chief Finance Officer, Lothian Pension Fund

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11. Appendices

Appendix 1: Unaudited Annual Report 2018 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 Head of Finance; and

Appendix 4: Lothian Pension Funds – Statement on the system of internal financial control by Chief Finance Officer, Lothian Pension Fund



Unaudited Annual Report and Financial Statements 2017/18

Lothian Pension Fund
Lothian Buses Pension Fund
Scottish Homes Pension Fund



Contents

Foreword	3
Management Commentary	
Introduction.....	5
Governance.....	9
Investments.....	13
Funding Strategy Statement.....	21
Financial performance.....	22
Risk.....	27
Performance	28
Financial Statements	
Lothian Pension Fund Financial Statements.....	33
Lothian Buses Pension Fund Financial Statements.....	71
Scottish Homes Pension Fund Financial Statements.....	95
Statement of accounting policies and general notes.....	115
Statement of responsibilities for the Statement of Accounts.....	127
Governance	
Annual Governance Statement.....	128
Governance Compliance Statement.....	134
Additional information.....	131

Foreword

Report by the Convener of the Pensions Committee

Following the Council Elections in May 2017 I was reappointed as Convener of City of Edinburgh Council's Pensions Committee for a second term. I am therefore delighted, once again to present the Annual Report and Accounts for the three Funds: Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.



This year the Funds completed their 2017 actuarial valuations which set contribution rates for employers for the three years from 1 April 2018. The funding levels of all three Funds increased from the actuarial valuation in 2014, with good asset returns offsetting increases in the value of the liabilities. Lower interest rates continue to be a challenge to the pension funds and its employers. The actuarial valuations are a significant undertaking from both staff within the Funds, our employers and our Actuary and I would like to thank them for the months of work involved.

2017 also saw the creation of the Fund's Joint Investment Strategy Panel, working alongside Falkirk Council Pension Fund. This is a new phase in our collaborative partnership which should bring further opportunities and efficiencies.

Finally, during the year Sarah Smart stepped down as the Fund's Independent Professional Observer, a position she has held since March 2013. I would like to record my thanks and those of all members of the Pensions Committee and Pension Board for the valuable contribution Sarah made during her time with the Funds.

Councillor Alasdair Rankin
Convener, Pensions Committee, City of Edinburgh Council

Report by the Convener of the Pensions Audit Sub-Committee

The Pensions Audit Sub-Committee, of which I am the Convener, assesses the controls the Funds have in place to ensure effective, efficient and value for money operations. Over 2017/18, the Sub-Committee met four times and one of the key duties is to consider the Funds accounts and the subsequent external audit of them.



Other key areas the Sub-Committee review include the findings from internal audits, considered risk assurance, fraud prevention, tax recovery on investment income and investment custodian services. 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
Convener, Audit Sub Committee, City of Edinburgh Council

Report by the Chair of the Pension Board

The Pension Board forms part of the governance structure that ensures management and administration of the pension funds in accordance with the applicable law and regulation, working together with the Pensions Committee to provide oversight of the Funds operations in a transparent and collaborative manner. The Board is made up of five employer and five member representatives and I have had the pleasure of being a Pension Board member since its establishment in April 2015, serving as Chair this past year. During this year we saw a number of changes in the make-up of the Board with two new members joining, Diane Hogarth and Brian Robertson, while Catrina Warren and Eric Adair both stepped down. I would like to thank both Catrina and Eric for the work they have done with the Board.



The Board attends all meetings of the Pensions Committee and Audit Sub Committee and actively participates in the Funds' governance. Members of the Board undertook 320 hours of training within the year to ensure they are equipped with the knowledge and understanding to enable them to properly exercise the functions of a pension board member. This year the Board reviewed its approach to ensuring members have a good understanding and oversight of the Funds' compliance with The Pension Regulator's code of practice. An agenda planning document was developed to ensure regular Board review of the Funds' alignment with Pensions Regulator guidance, as well as extending the quarterly Pension Board meetings, allowing more time for this compliance activity in addition to critical review of the quarterly Committee papers. Most recently the Board received an update on the Funds' data quality from the scheme manager. Each year, the position of Chair of the Pension Board rotates and I am pleased to say that Jim Anderson was selected to take on the role of Board Chair from 1 April 2018. I look forward to continuing to support the Funds as a regular Board member in future.

Darren May **Scottish Water employer representative and Chair of the Pension Board**

Report by the Independent Professional Observer

The Observer role is to assist the Pensions Committee and Pension Board undertake their governance responsibilities effectively and efficiently. Over the year, I provided support to allow them to carry out their roles ensuring the Funds comply with relevant pension legislation and requirements set by The Pensions Regulator.

As with previous years, I held surgeries before each Committee meeting to allow Pensions Committee and Pension Board members to raise questions with me, working collaboratively and efficiently together to ensure their joint oversight of the pension funds. The issues were wide ranging and included investment, actuarial valuations and collaboration and these have all been considered alongside the Funds' normal business. The quality of engagement and discussion over the year has demonstrated a high standard of governance within the Funds. This is my final report as Independent Professional Observer for the Funds. I have enjoyed working with the Pensions Committee and Pension Board and am happy to have contributed to the Funds' governance and the Committee and Board's knowledge on pension matters.



Sarah Smart **Independent Professional Observer to February 2018**

Management commentary

Introduction

2017 Actuarial Valuations

During the year, the triennial assessment of the funding position of the pension funds was undertaken by the Funds' Actuary. In general, the results showed that despite better than expected asset returns since the 2014 actuarial valuation, employer costs increased due to a reduction in future expected investment returns. The Funding Strategy Statement was reviewed and amended following consultation with employers.

For Lothian Pension Fund, the funding level increased from 91% at 31 March 2014 to 98% at this valuation. The deficit decreased from £417million at 31 March 2014 to £145million at 31 March 2017. Reflecting the differences in the employers in the Fund, a third investment strategy was introduced for employers which are closed to new entrants but not close to exiting the Fund. To avoid time-consuming employer appeals of the results of the actuarial valuation, this year the Fund introduced a requirement for employers to provide written confirmation that minimum contribution rates set by the Actuary are affordable. It is not in the best interests of the individual employers or the Fund for employers to continue to accrue unaffordable pension liabilities. Four employers indicated that the minimum contribution rates are unaffordable and the Fund is working with them to manage their exit from the Fund. The Fund continues to work with employers to put in place funding agreement to address repayment of debt when an employer leaves, in order to avoid employer default or insolvency.

For Lothian Buses Pension Fund, the funding level on the ongoing basis has risen from 117% at in 2014 to 121% at 31 March 2017, showing a surplus of £84million. In comparison, the funding level on a low risk (gilts) basis was 89%, with a deficit of £59million. The actuarial valuation was signed by the Actuary on the basis that the company will continue to pay deficit contributions (if necessary) after the last active member leaves the Fund and it will continue to adopt a long-term investment approach. The company's Admission Agreement is being updated accordingly to strengthen governance and affirm the employer covenant. Further, it was agreed, following consultation with stakeholders and on completion of the revised Admission Agreement, to transfer the assets and liabilities of the Lothian Buses Pension Fund into the Lothian Pension Fund. This merger is expected to deliver investment efficiencies and administrative savings, whilst the assets attributable to this employer retains a bespoke investment strategy.

The funding level for Scottish Homes Pension Fund at 31 March 2017 was 104.7%, increased from 88.8% from the 2014 actuarial valuation. Consultation was undertaken with the Scottish Government on the potential benefits offered by revising the Funding Agreement for this Fund. However, it advised that it does not wish to revisit this and as a result the investments of the Fund are now fully invested in index-linked government bonds and cash.

Cashflow & Investment

All three Funds delivered single digit positive performance over the year, with strong global equity market performance tempered by the strength of sterling. Lothian Pension Fund's assets have increased by £60million, with investments returning 1.4% over the year. The internal team manages a significant proportion of assets of all three pension funds in-house.

For Lothian Pension Fund this includes approximately £3.4billion of listed assets specifically designed to provide downside protection in times of market stress, together with a currency hedging programme.

The expenditure of all three pension funds continues to exceed income. The investment strategies of the Funds have targeted investment income in recent years and this is expected to exceed net cashflow for the foreseeable future. It is therefore not anticipated that the sale of investments will be required to meet this funding requirement. Changes in membership of the Funds have implications for cashflow. On retirement there are immediate outflows due to the payment of tax free lump sums and pensions and a reduction to inflows as contributions cease. However, payment of strain costs by employers on early retirements helps to mitigate current cashflow pressures.

Lothian Pension Fund is now in a negative cash flow position where payments exceed contributions received. The Fund has targeted increased investment income in recent years and this is expected to exceed net cashflow for the foreseeable future. It is therefore not anticipated that the sale of investments will be required to meet this funding requirement. Lothian Buses and Scottish Homes Pension Funds expenditure continues to exceed income as both funds are closed to new members with Scottish Homes Pension Fund having no members paying in to the scheme. Investment income funds these shortfalls, together with asset sales for Scottish Homes Pension Fund.

The Pensions Committee regularly considers the legal responsibilities of administering the Funds and its fiduciary duty to members and employers. Non-compliance with the fiduciary duty could leave the Council and Pensions Committee open to legal challenge or otherwise have an adverse impact on the Council, the Funds and their stakeholders. There continues to be significant lobbying from external interest groups on certain investments and the Funds continue to engage with these groups as appropriate.

Customer Service

The quality of membership data continues to be a key area of focus for the Funds to ensure we meet standards set by The Pensions Regulator. All employers are now providing monthly contribution data for each member which is enabling us to see changes in membership quickly and hence provide a better service. It continues to be a challenge to obtain information from some employers regarding members who have left the scheme. That said, the service continues to be rated highly with 95% of customers assessing the service as 'excellent'.

During the year, the Funds completed a tender for its pensions administration system, combining the current three systems into one contract to deliver a more integrated, efficient and cost-effective service. Contractual terms and conditions are being finalised with the preferred supplier.

Good progress continues to be made with reconciling pension records for Guaranteed Minimum Pensions ahead of the HMRC deadline in December 2018, with notably this being achieved entirely through internal staff resourcing.

Staffing

In 2015, key investment staff were transferred to LPFE Limited in order to introduce new terms and conditions to reduce retention and recruitment risks facing the Funds. In February 2018, the Funds' remaining staff transferred to LPFE Limited following consultation with staff and trades unions.

Employing all staff in one organisation will facilitate the collaborative efforts with other local government pension funds and ensure a consistent approach to resourcing.

We also undertook a gender pay gap analysis for the first time this year. We have 57 employees split as 24 male and 33 female. The overall mean and median gender pay gap based on hourly rates of pay was 38.9% and 43.9% respectively.

The figures excluding the Investment Management Team were 16.4% and 0.0% respectively. This data shows that men employed by the Fund are paid, on average, more than women. Although this reflects the industry norm for Investment Management firms, we intend to break that mould and seek innovative ways to achieve gender balance.

Collaboration with other Pension Funds

Collaboration brings tangible benefits to both Lothian Pension Fund and its collaborative partners by investing in greater scale and for other funds to benefit from the commercial advantage of the in-house team. In addition, sharing costs between collaborating funds allows reinvestment in systems and the in-house team to improve long-term sustainability.

Lothian Pension Fund has provided Falkirk Council Pension Fund with support on investment matters, including assisting with infrastructure investing, over recent years. During the year, a Joint Investment Strategy Panel was established, advising the Finance Directors of each administering authority (the City of Edinburgh Council and Falkirk Council) on implementation of their respective investment strategies. This collaborative structure is expected to deliver significant efficiencies. The Pensions Committee of the respective Councils continue to retain responsibility for their investment strategy and the assets of Lothian Pension Funds and Falkirk Council Pension Fund will remain separate.

Over the last year, Lothian collaborated with Falkirk Council Pension Fund on seven infrastructure investments. A staff secondment arrangement shares internal staff costs between the Funds and Falkirk, supporting Falkirk's strategy to increase its allocation to UK, European and Global infrastructure and giving both Funds greater scale and so access to opportunities that would not have otherwise been available.

Lothian Pension Fund has also continued its collaboration in private markets investment with other Local Government Pension Scheme partners, Falkirk Council Pension Fund and Northern Ireland Local Government Officers' Superannuation Committee and, over the year, Scottish Borders Pension Fund joined the collaboration.

Awards

The Fund retained the Customer Service Excellence award in 2017/18 for the tenth year. A new assessor carried out the assessment this year. The assessor's feedback included that "Lothian Pension Fund are long term holders of the Customer Service Excellence Standard and is to be congratulated in retaining its accreditation and its endorsement of CSE as a key driver for customer focused development." In March 2017, the Fund gained accreditation from Pension Administration Standards Association (PASA), following a three-day visit and our assessment for reaccreditation will take place in 2019.

The Fund received two pension industry awards this year. At the LAPF Investment Awards 2017, the Fund won LGPS Fund of the Year (over £2.5billion) for Lothian Pension Fund and at the Professional Pension's Pension Scheme of the Year Awards won the DB Scheme of the Year (under £500m) for Lothian Buses Pension Fund.

Challenges

The Funds' Service Plan for 2018-2020 shows our plans for the coming years and outlines our ambitions and values:

- to provide an excellent service to our members and employers;
- to provide funding and investment strategies for employers to manage affordability and mitigate risk; and
- to be a partner of choice for other local government pension funds to improve efficiency and sustainability.

The challenge to improve the quality of member data is ongoing. For 2018/19, we have introduced a broader set of performance measures so that we can continue to improve our service. We will continue to liaise with employers to improve the speed of transfer.

New data protection legislation comes into force in May 2018 and the Funds are reviewing and updating processes accordingly. Changes to the Scheme regulations are also expected in 2018 which will bring additional flexibility for members with early retirement and additional voluntary contributions. We will need to communicate these changes to members and employers, and change processes accordingly.

A review of the structure of the Scottish LGPS is expected to be carried out in 2018 which will consider the number of funds across Scotland. We will participate in this consultation and meanwhile we will continue to explore wider opportunities for collaboration to improve services and sustainability.

There will be further oversight and scrutiny of the Funds when the Government analyses the 2017 actuarial valuations of all funds in Scotland and the cost of the benefits in relation to the employer cost cap.

There has always been interest from members and specific campaign groups in investments and over recent years this has increased significantly. There is an ongoing need to be clear, open and transparent in communicating investment strategy and the way in which the Funds must invest in the best interests of members and employers.



Stephen Moir
Executive Director of Resources
The City of Edinburgh Council
June 2018



Clare Scott
Chief Executive
Lothian Pension Fund
June 2018

Governance

The City of Edinburgh Council is the administering authority for the Scottish Local Government Pension Scheme (LGPS) in the Lothian area. The Council administers the benefits and invests the assets of three LGPS funds, Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

Lothian Pension Fund is the second largest LGPS fund in Scotland with assets of £6.7 billion, 90 employers with active members and over 79,000 members.

The Lothian Buses Pension Fund holds assets of £0.5 billion and 3,700 members, while Scottish Homes Pension Fund investments amount to £0.16 billion with 1,600 members.

The Funds maintains a comprehensive website for easy access to all relevant pension information and this is found at www.lpf.org.uk. This includes the Annual Report & Accounts of the three pension funds, Statement of Investment Principles, Funding Strategy Statement and Pensions Administration Strategy and Pensions Discretions Policy.

The Pensions Committee and Pensions Audit Sub-Committee

The day to day running of the Funds is delegated to a specialist team who undertake pension administration, accounting and investment functions, managing the majority of the Funds' assets internally.

All pension matters are delegated to the Pensions Committee of the Council, supported by the Audit Sub Committee, and its members act as 'quasi trustees'. Both Committees held four meetings during the year. The table below shows the Committee members before the Local Government elections held on 4 May 2017 and following the appointment of members by the Council on 29 June 2017.

1 April 2017 to 3 May 2017	From 29 June 2017 to 31 March 2018
Pensions Committee	Pensions Committee
Councillor Alasdair Rankin (Convener)	Councillor Alasdair Rankin (Convener)
Councillor Maureen Child	Councillor Maureen Child
Councillor Jim Orr	Councillor Adam McVey (to 14 March 2018)
Councillor Bill Cook	Councillor Claire Miller
Councillor Cameron Rose	Councillor Cameron Rose
	Councillor Neil Ross (from 15 March 2018)
John Anzani (member representative, Midlothian Council)	John Anzani (member representative, Midlothian Council)
Richard Lamont (employer representative, VisitScotland)	Richard Lamont (employer representative, VisitScotland)

Pensions Audit Sub-Committee	Pensions Audit Sub-Committee
Councillor Cameron Rose (Convener)	Councillor Cameron Rose (Convener)
Councillor Jim Orr	Councillor Maureen Child
Councillor Bill Cook	John Anzani (member representative, Midlothian Council)

The Pension Board

The Pension Board was set up on the 1 April 2015 as a result of the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014.

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 as described above. 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 representatives appointed by trade unions for the membership of the Funds.

The Pension Board membership for the period 1 April 2017 to 31 March 2018 was as follows. There were two vacancies as of 31 March 2018.

Member representatives

Jim Anderson	Unison
Catrina Warren	Unison (to 20 March 2018)
Thomas Carr Pollock	GMB
Diane Hogarth	Unite (from 13 September 2017)
Brian Robertson	Unite (from 4 August 2017)

Employer representatives

Eric Adair	EDI Group (to 26 March 2018)
Darren May (Chair)	Scottish Water
Sharon Dalli	Police Scotland
Paul Ritchie	East Lothian Council
Alan Williamson	Edinburgh College

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 attend induction training. Other training provided internally covered topics including governance and the joint investment strategy panel, climate change and company engagement, actuarial valuation and the FCA, as well as sessions on collaboration and the LGPS Governance Review.

Committee and Board representatives also attended external conferences including the Pensions and Lifetime Savings Association Local Authority Investment Conference 2017 and the 2017 Local Authority Pension Fund Forum Annual conference. Six members of the Committee and all Pension Board members achieved the required training hours during 2017/18. Pensions Committee members collectively attended 249 hours of training over the year and members of the Pension Board undertook 320 training hours.

Joint Investment Strategy Panel

Investment strategy guidance to the Committee is provided by a Joint Investment Strategy Panel (JISP), working in collaboration with the Falkirk Council Pension Fund. The JISP meets quarterly and includes senior officers and external investment advisers (currently Scott Jamieson and Gordon Bagot). The Pensions Committee of each pension fund agree their own investment strategy but delegate the implementation of strategy, including selection of investment managers, to officers. The JISP advises both pension fund administering authorities on implementation of investment strategy. The assets of Lothian Pension Fund and Falkirk Council Pension Fund remain separate.

Lothian Pension Fund staff

The team is employed by an arms-length company, LPFE Limited (LPFE), which is wholly owned by the Council (in its capacity as administering authority for the Funds) and it is supervised by a board of directors chaired by the Council's Executive Director of Resources and includes the Convener of the Pensions Committee. The team requires to carry out certain of its activities for the Funds through its Financial Conduct Authority authorised vehicle, LPFI Limited (LPFI). LPFI is also wholly owned by the Council (in its capacity as administering authority for the Funds). LPFI is supervised by a board of directors chaired by the Council's Head of Finance. Both the boards of LPFI and LPFE comprise an independent non-executive director (Leslie Robb). All the operations, costs and liabilities in relation to the Funds, including those of LPFE and LPFI, are borne by the Funds.

The day-to-day running of the three pension Funds is carried out by the Lothian Pension Fund group, comprising the investment and pensions team within the City of Edinburgh Council (acting in its capacity as the administering authority of the Funds), LPFE and LPFI (the LPF Group). The LPF Group's functions includes investment, pension administration, employer liaison, data quality, customer support, accounting, legal, risk and compliance, communications and general business support. The investment responsibilities include carrying out in-house investment management and the monitoring and selection of external investment managers, as well as external facing collaborative initiatives with other like-minded pension funds.

In 2015, key investment staff were transferred to LPFE. As part of the transfer new terms and conditions were introduced to enable the Funds to more effectively manage the risks and controls around its staff and enable it to pursue its collaborative initiatives for the benefit of the Fund's stakeholders within an acceptable tolerance or risk. The remaining staff were transferred to LPFE in January 2018 so that all staff within the LPF Group are employed by LPFE.

Over the year, senior officers from the Council were:

- Stephen Moir, Executive Director of Resources, The City of Edinburgh Council
- Hugh Dunn, Head of Finance, The City of Edinburgh Council
- Katy Miller, Head of Human Resources, The City of Edinburgh Council.

And senior officers from LPFE were:

- Clare Scott, Chief Executive Officer 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.

Scheme Advisory Board

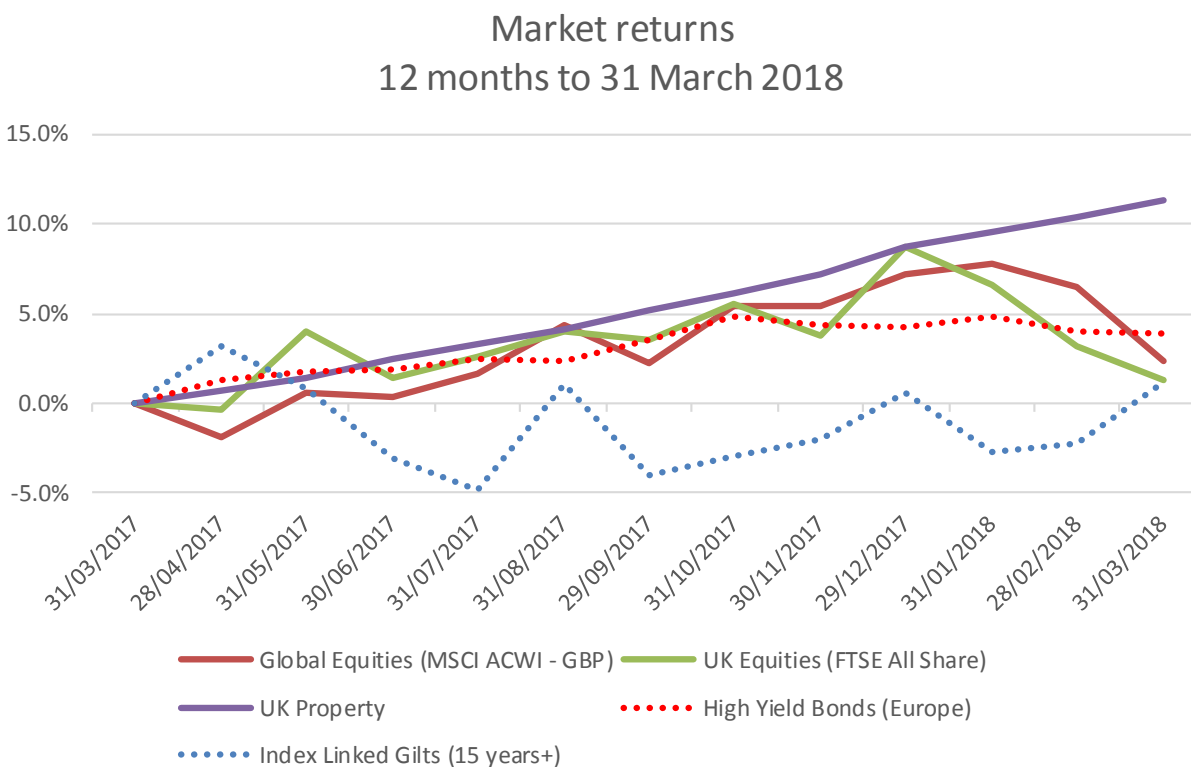
The Scheme Advisory Board for the Local Government Pension Scheme in Scotland was set up following the Public Service Pensions Act 2013. The Board's main function is to advise Scottish Ministers, when requested, on the desirability of changes to the Scheme. They can also provide advice to scheme managers and pension boards in relation to effective and efficient administration and management of the Scheme in Scotland.

The membership of the Scheme Advisory Board comprises of seven member representatives and seven employer representatives with a Joint Secretary to support each group. During the year, Councillor Rankin was a member and Vice-Chair of the Scheme Advisory Board and Fund officers have also advised the Board and Joint Secretaries. There is more information on the Scheme Advisory Board at www.lgpsab.scot.

Investment

Investment markets

For the 12 months to 31 March 2018, UK equities returned +1.3%, and global equities (in sterling terms) returned +2.4%. Equity market returns for sterling-based investors were dampened by the strength of the pound over the year (global equities returned +11.3% in local currency terms), which reversed much of the fall in value that followed the UK referendum in June 2016. The sharp fall in equity markets during the first quarter of 2018 was also a factor, with markets falling as much as 10% from their January 2018 highs to their lows in late March, before stabilising at the end of the quarter.



Government bond yields in most major markets were broadly unchanged, before rising in early 2018 as stronger US inflation data pushed up expectations that the US Federal Reserve would raise rates faster than previously anticipated, having already raised interest rates three times over 2017. Credit and high yield bond spreads also were broadly unchanged over the year, with high yield spreads in both the US and Europe trading close to their historic lows.

In the UK, the Bank of England increased its base rate as expected in November 2017. However, this was also accompanied by commentary at the time suggesting that further rate rises were less imminent given the Bank's cautious outlook for the economy as the path to the UK's exit from the European Union remains unclear. In Europe, 2017 saw significant positive economic momentum, though more recent data emerging in first quarter of 2018 suggested that economic activity was beginning to slow.

Over the year, the OECD raised its global economic growth forecast for 2017 and for 2018. While the latest global outlook has turned more positive, there remains significant dispersion at country level with the UK economic outlook the weakest of the major economies.

Following the passing of Trump's tax reform programme late in 2017, equities continued to march higher through January, before volatility in late January sent risk assets sharply lower before stabilising in March. Looking ahead, investors face the prospect of further tightening of monetary policy in the US, alongside concerns around increased protectionism and ongoing geo-political tensions concerning Russia, the Middle East and Korea.

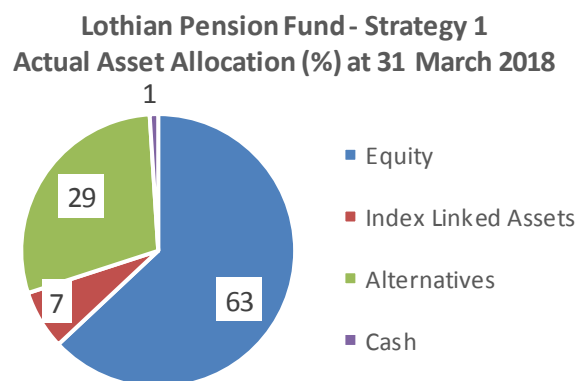
Investment strategies

The investment strategies for all three funds reflect the long-term plans to maintain an acceptable balance between contribution stability and the achievement of positive long term real returns from the assets owned. These plans were initially set during 2012, and reviewed again in 2015/2016, taking into account the results of the 2014 actuarial valuations.

At 31 March 2018, the three funds (Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund) were all invested in range of their target asset allocations, as expected. A review of the Funds' investment strategies will be undertaken again over 2018/2019, taking into account the results of the 2017 actuarial valuations.

Lothian Pension Fund

To provide suitable investment strategies for the differing requirements of employers, Lothian Pension Fund currently operates two investment strategies. Most employer liabilities are funded under Strategy 1, which adopts a long-term investment strategy, aiming to maximise the investment return within reasonable and considered risk parameters and hence minimise the cost to the employer. The investment strategy is set at the broad asset class level of Equities, Index-Linked Gilts and Alternatives, which are the key determinants of investment risk and return.



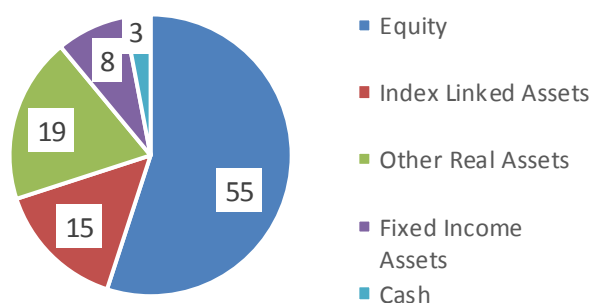
A small number of employers are funded in Strategy 2, which invests in a portfolio of UK index-linked gilts to reduce funding level and contribution rate risk to a level appropriate to their circumstances. The liabilities funded by Strategy 2 represent less than 1% of total Lothian Pension Fund liabilities.

As part of the 2017 actuarial valuation, an additional investment strategy was implemented at the end of the year. For employers who are closed to new members but do not yet qualify for Strategy 2 that aims for the middle ground between Strategy 1 and the lower risk Strategy 2.

Lothian Buses Pension Fund

A long-term strategy allocation is in place for the Lothian Buses Pension Fund for the five-year period 2016-21. This was agreed by the Pensions Committee as part of the updated 2015/2016 strategy review. This involves making changes to the asset allocation over that timeframe reflecting the requirement for greater funding stability as the Fund grows and matures. (The Fund is closed to new entrants and is maturing at a faster pace than the Lothian Pension Fund.) 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.

**Lothian Buses Pension Fund
Actual Asset Allocation (%) at 31 March 2018**



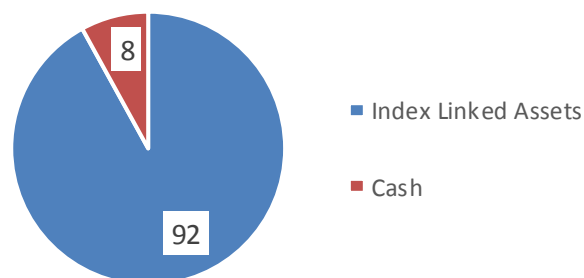
During the year to 31 March 2018, Lothian Pension Fund and Lothian Buses Pension Fund continued to reduce their equity allocations. This was achieved by redirecting, rather than re-investing, dividend income from equities and distributions from the Funds' private equity holdings. There were increased allocations to alternative assets, including infrastructure investments in the UK and overseas, and further investments in private debt. Over the past 10+ years, the Funds have 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 is described in more detail below.

Scottish Homes Pension Fund

For Scottish Homes Pension Fund, the year to 31 March 2018 has seen further change. This follows on from the changes at the end of the prior year in March 2017, when the bond and equity portfolios were brought in-house, with the bonds restructured to improve cash-flow matching of the assets with future liability payments.

In September 2017, the fund's target equity allocation was reduced from 15% to 10% as the estimated funding level improved. Over the year, the results of the 2017 actuarial valuation showed a funding level of 104%+, significantly ahead of expectations and achieved primarily through better than anticipated investment returns. Discussions with the Scottish Government, as guarantor to the Fund confirmed that it preferred that the Fund disinvest its remaining equity and property allocation. At 31 March 2018, the Scottish Homes Pension Fund was invested in index-linked gilts and cash, structured to broadly match the expected liability payments as they fall due.

**Scottish Homes Pension Fund
Actual Asset Allocation (%) at 31 March 2018**



Strategies for all three funds are implemented and monitored by an experienced internal team of investment professionals supported by external advisers. Over recent 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 85% and most publicly traded bond assets are also now managed internally. Secondly, the Fund has altered the construction of the listed equity portfolios, increasing the global mandates from 32% to more than 85%. Despite these large changes in Lothian Pension Fund, performance has been ahead of benchmark by 1.0% per year over the last five years and this has been achieved with lower risk than the benchmark. The Fund's guiding principle is to use strong internal investment capabilities to their maximum potential and to retain external managers for specialist mandates.

Infrastructure Investment

Infrastructure investment continues to receive publicity as governments and politicians encourage public pension funds to increase their investment in this area. Infrastructure investments have the potential to generate attractive risk-adjusted returns, with cash flows often linked to inflation. The long-term and defensive nature of these assets also can provide an element of diversification to the Funds' investment strategies.

Over the last decade, the Fund has developed its reputation, networking and execution capabilities to secure access to investment opportunities within this market niche. The Funds' experienced team appraises, 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 closely with investment managers to ensure execution certainty and to diligence the commercial and legal terms.

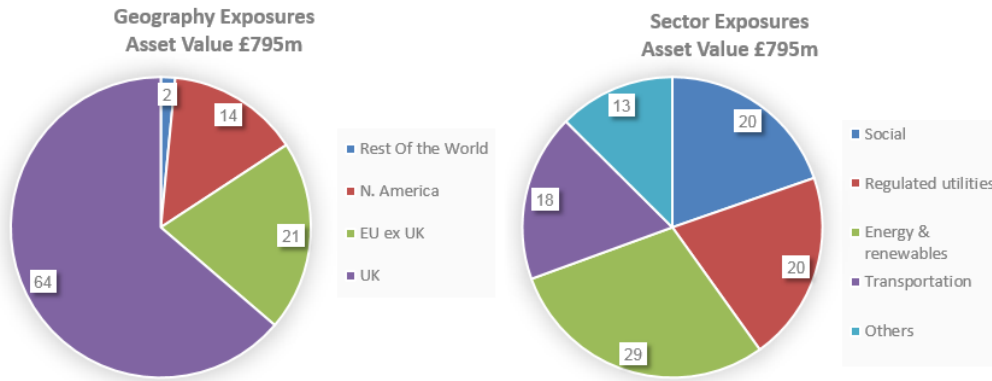
Infrastructure investments represented 11.4% of the value of Lothian Pension Fund assets at 31 March 2018, comprising one of the largest and most diversified allocations among UK LGPS funds. Lothian Buses Pension Fund investments in infrastructure accounted for 9.6% at 31 March 2018. Of the combined £795 million (31 March 2017: £730m) invested in infrastructure across both funds, the majority (64%) is invested in the UK.

During 2017/18, Lothian Pension Fund and Lothian Buses Pension Fund completed one primary fund investment, acquired two secondary fund interests at discounts to net asset value and invested in five co-investment and/or specified asset investment vehicles. Approximately £105 million has been invested over the year in UK, European and Global infrastructure assets. During the same period, £138 million has been distributed to the Funds.

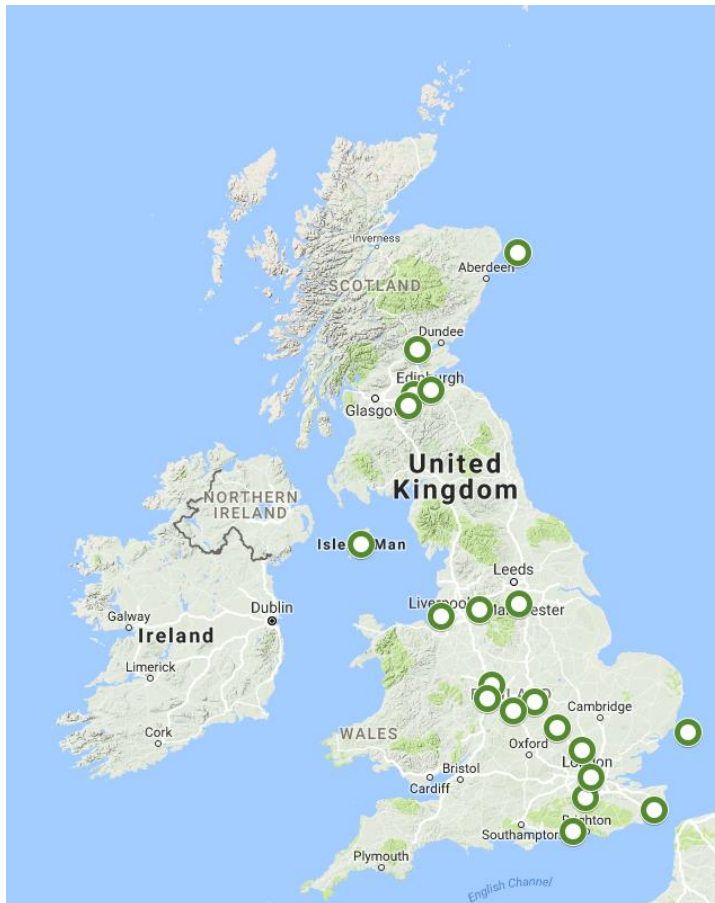
Investments are across a diverse range of projects, in the areas of:

- social infrastructure (including hospitals, schools and roads);
- regulated utilities (including water and electricity);
- energy & renewables (including solar, wind and hydro, as well as oil and gas storage and distribution);
- transportation (including airports, ports and rail); and
- others (including waste management, car parks and smart meters).

The geographic and sector exposures for the combined Lothian Pension Fund and Lothian Buses Pension Fund infrastructure allocations (at 31 March 2018) are shown in the charts below.



The market value of infrastructure investments in the UK at 31 March 2018 was £507 million. The map and table below shows the location of the Funds' 20 largest major UK infrastructure investments, representing c74% of the UK total (c£375m).



Location	Sector-Subsector	%
Various	Renewables-Solar	5.6
Worthing	Utility-Water	5.6
Livingston	Energy meters	5.4
Redhill	Roads	5.3
Liverpool	Ports	5.3
Isle of Man	Utility-Gas	5.3
Perth	Renewables-Hydro	4.9
Walsall	Utility-Water	4.8
Manchester	Energy meters	4.6
London	Sewage system	4.5
Warwick	Utility-Gas	3.8
North Sea	Pipeline	3.3
Barnsley	Utility-Water	2.5
Newport Pagnell	Motorway services	2.3
West Lothian	Renewables-Wind	2.3
Hertfordshire	Utility-Water	2.0
Edinburgh	Ports	2.0
Folkestone	Rail	1.8
Dudley	Healthcare	1.6
Southern North Sea	Electricity	1.4

Responsible Investment

The Funds have been a strong proponent of responsible investment for many years. It became a signatory to the Principles for Responsible Investment (PRI) in 2008. The PRI, which is supported by the United Nations, encourages investors to use responsible investment to enhance returns and better manage risks. By implementing the six principles (<https://www.unpri.org/pri/about-the-pri>), the goal of signatories is to develop a more sustainable global financial system.

The PRI undertakes a detailed annual assessment of each signatory and its responsible investment activities. It publishes its findings in two reports (Transparency and Assessment) and, for Lothian Pension Fund, these can be found on the Fund's website. The Assessment Report benchmarks performance against the Funds' history and against peers, and the latest report published in 2017 is very favourable. The Funds are a signatory to the Financial Reporting Council (FRC) UK Stewardship Code. The UK Stewardship Code provides seven principles that institutional investors should adhere to. Lothian Pension Fund is classed as a Tier 1 signatory, due to its close adherence to the code. The Funds also participates in the CDP (Carbon Disclosure Project), an international disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

The Funds receives queries about its approach to responsible investment on a regular basis. In particular, there are groups that lobby for the divestment of certain company shares, or those that operate in certain industries or in certain geographies on ethical grounds. Examples include companies operating in the defense arena, the extraction of fossil fuels and the sale of tobacco or alcohol, and companies operating in controversial areas of the world, such as the occupied territories of Palestine. The issues raised by lobby groups often involve complex social, legal and moral issues.

Whilst the Funds are sympathetic to some of the issues raised, it has its own obligations to fulfil within the constraints of the legal setting. The Funds' policy on responsible investment stems from its fiduciary duty to its members and employers, which was endorsed by a legal opinion in September 2016 on the responsibilities of Scottish Local Government Pension Scheme funds (available to view at www.lgpsab.scot).

Its approach is widely followed across the industry and reflects the fact that its primary objective is to pay pensions to its members when they fall due and it strives to do this by investing in a responsible manner, which includes engagement with companies. It does not have a policy of exclusion. Its policy is to engage with the companies in which it owns shares with a view to improving corporate behaviour to the benefit of shareholders. By doing this, the Funds aim to satisfy its most important social responsibility, which is to its members and employers by providing pensions, and it believes that this approach will also provide wider societal benefits.

It is important to note that the Funds invest only in legal businesses and that it is an active shareholder with a view to enhancing the long-term value of its investments. Environmental, social and governance (ESG) issues are taken into consideration in the investment process in a manner which is consistent with its fiduciary duty to provide the highest standard of stewardship on behalf of the members and employers.

Investment Process

The Funds' (and the industry's) investment processes have evolved over the years to include a greater focus on ESG issues, risks and opportunities. ESG issues can clearly affect the financial performance of the companies in which the Funds invests. As a signatory to the Principles for Responsible Investment, the Funds are obliged to incorporate ESG issues into investment analysis and decision-making processes (Principle 1).

Investment opportunities are assessed with a view to meeting a required level of financial return in the context of achieving an appropriate level of risk, and ESG issues are part of that assessment. ESG factors are an important element of investment risk and opportunity, and there is evidence that the shares of companies with improving ESG ratings are better investments than those that are simply highly rated. As such, engaging with companies to improve their positions on ESG issues can lead to better long-term outcomes for the Funds. However, it is also important to note that the Funds do disinvest from shares where it considers financial risk to be unrewarded.

The Funds' internal portfolios are actively managed using both fundamental and quantitative investment processes. For the portfolios managed on a fundamental basis, ESG factors are formally assessed as part of the due diligence process before shares are purchased, supported by the research of a specialist third party service (currently MSCI ESG Research), which provides ESG specific data, analysis and research to help identify the risks and opportunities that companies face. This ensures that consideration of ESG factors can be applied to the investment process using data that has been collated in a consistent manner.

The Funds' external managers are also selected and appointed after due consideration of their approach to integrating ESG considerations into their investment processes. Their activities, including scrutiny of how ESG considerations affected investment decisions, are monitored by the Funds quarterly.

Climate Change

Climate change concerns have prompted governments around the world to implement policies to limit global temperature increases. The Funds recognises that such policies will affect 'fossil fuel' companies in a significant way. However not all 'fossil fuels' are equal. Gas is much cleaner than coal - gas and renewables are expected to grow their share of the energy mix at the expense of coal. Many 'fossil fuel' companies are investing heavily in cleaner fuels and renewables – while they are part of the problem, they are also part of the solution.

Lothian Pension Fund has carried out a carbon footprint exercise to aid research, engagement and monitoring activities. The results show a footprint almost identical to its benchmark although it should be noted that there are limitations on the data used in these exercises. The Funds believes that divestment of 'fossil fuels' as a policy will have little or no impact on company operations.

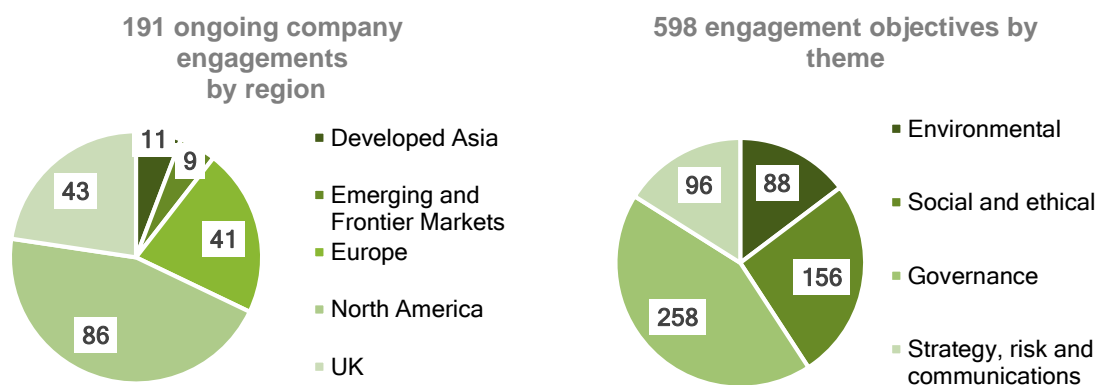
As highlighted above, the Funds have been researching opportunities and invests in the renewable sector within the private market for several years with renewables, including wind, solar and hydro assets, valued at £113m at 31 March 2018.

Voting and Engagement

Robust arrangements are in place to ensure that the Funds' 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. Share ownership brings with it the right to engage with management to affect strategic change in a positive direction. Divestment relinquishes that right.

During 2017/18, voting and engagement activities related to the Funds' shareholdings were largely undertaken by Hermes Equity Ownership Services (EOS), with Baillie Gifford taking responsibility for the investments they manage on behalf of the Funds. A summary of these activities is provided in the charts below. The Funds' influence with investee companies is enhanced through Hermes EOS' aggregate representation for over £330bn in assets at 31 March 2018.

Hermes EOS collates voting and engagement data for the Funds and reports this for calendar year periods. During calendar year 2017, the Funds voted at the annual meetings of the 517 companies in which it was invested. There were votes on 7,446 resolutions, and the Funds opposed 614 of them. In addition, Hermes EOS engaged on the Funds' behalf with companies across the world on topics such as board structure, executive compensation and climate change. More details can be found on the Funds' website www.lpf.org.uk.



Engagement activities are also undertaken on behalf of the Funds and approximately 70 other UK Local Government Pension Scheme in the UK by the Local Authority Pension Fund Forum (LAPFF). Councillor Alasdair Rankin, Convener of the Pensions Committee, is a member of the Executive Committee of the LAPFF. Membership of the LAPFF Executive entails meeting with the boards of companies and attending company Annual General Meetings to represent shareholders' interests.



Funding Strategy Statement

The Funding Strategy Statement covers the funding strategies of each of the three Funds and can be viewed on our website at www.lpf.org.uk.

The purpose of the Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting.

The Funding Strategy Statement also ensures that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the Funds, (as defined by the Public Service Pensions Act 2013) are met.

The Funding Strategy Statement was revised at the 2017 Actuarial Valuation. In addition to updates required as a result of changes to the Scheme Regulations and other guidance, changes included:

- the introduction of a new medium risk investment strategy, and;
- the requirement for employers to confirm commitment to contribution rates.

As required by Scheme regulations, the Funds consulted with employers as part of the review process.

The Funds must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy), or asset returns (resulting from the investment strategy). A formal review of the Funds' investment strategies is undertaken at least every three years to ensure appropriate alignment with liabilities. Further information on the investment strategies can be found in the Funds' Statement of Investment Principles also available at www.lpf.org.uk.

Financial Performance

Administration expenses

A summary of the Funds' administrative expenditure for 2017/18, against the budget approved by Pensions Committee, is shown in the table below. This budget includes adjustment agreed by Pensions Committee as part of the collaboration business case.

The budget focuses on controllable expenditures and therefore excludes all benefit payments and transfers of pensions from the Funds. Similarly, income does not include contributions receivable and pension transfers to the Funds. The total net cost outturn of £27,127k against budgeted of £27,808k represented an underspending of £681k (2.4%) for the Funds. The key budget variances serving to generate this underspending were:-

- Investment management fees - £867k overspend. This budget also includes investment management fees deducted from capital, but excludes the performance related element of these charges due to their unpredictable nature. During the year there was higher than expected deal flow for infrastructure and private debt assets which contributed to the overspend. Broker commission for the first three quarters of the period included research costs which had been budgeted separately in third party payments.
- Other third-party payments - £549k underspend. The rollout of direct investment broker research invoicing was delayed until the final quarter of the year. From April to December 2017 these charges continued to be paid via commission, with approximately £325k of this underspend offsetting the investment management fees for the year. The Funds did not suffer any broken deal costs in relation to its co-investment infrastructure investments during the period which contributed to the underspend.
- Supplies and Services - £606k underspend. Delays in the implementation of the investment front office system and further collaboration work resulted in the underspend for the period.
- Employees - £467k underspend. This arose from savings in unfilled posts, partly due to the timing of recruitment during the financial year.

	Approved budget	Actual outturn	Variance
	£000	£000	£000
Employees	3,210	2,747	(463)
Property	201	195	(6)
Plant and Transport	41	33	(8)
Supplies and Services	1,594	988	(606)
Investment Managers Fees*	22,300	23,167	867
Other Third-Party Payments	1,404	855	(549)
Capital funding - Depreciation	82	80	(2)
Direct Expenditure	28,832	28,065	(767)
Support Costs	286	250	(36)
Income	(1,310)	(1,188)	(122)
Total net controllable cost to the Funds	27,808	27,127	(681)

*Does not include performance elements

Reconciliation to total costs

	Actual outturn
	£000
Actual outturn on budgeted items above	27,127
Add back securities lending revenue included in income above	865
Investment management fees deducted from capital – performance related element	9,322
IAS19 LPFE retirement benefits	1,030
LPFE deferred tax on retirement benefits	(175)
Total cost to the Funds (inclusive of full investment management fees)	38,169
Per Fund Accounts	
Lothian Pension Fund group	35,412
Lothian Buses Pension Fund	2,523
Scottish Homes Pension Fund	234
Total	38,169

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, would be expected to see a reduction in contributions received, together with additional outlays on payments to pensioners.

Lothian Pension Fund continued to experience a net reduction in value from its dealings with members. Despite active membership numbers rising marginally, reflecting pensions auto-enrolment, pensioner numbers increased more significantly, driven by demographic and economic factors. Outlays exceeded receipts by £17.0million representing a £7.9million change in position from 31 March 2017 (net withdrawals of £9.1million).

As a fund which is closed to new entrants, the income and expenditure of Lothian Buses Pension Fund reflect this relative maturity. As at 31 March 2018, outlays from dealing with members remained in excess of receipts, by £2.8million for 2017/18. This represents a change of £0.1million on the position as at 31 March 2017, where net outlays totaled £2.7million. Primarily, this was the result of significant outgoings due to the early payment of retirement benefits.

Scottish Homes Pension Fund is a mature fund with no active members. As a result, pension outlays are met from investment income and funding from the Scottish Government, supplemented by asset sales. Net pension outlays were £6.9million which is consistent with the previous year.

It is anticipated that for the next few years these cash flow trends will remain broadly consistent.

Membership statistics for the three Funds and funding statements from the Actuary are provided in the Fund accounts sections.

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 this guidance 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 June 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 changed 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 funds. Typically, fees are payable to the “fund of funds” manager as well as to the managers of the underlying funds. Generally, under the revised guidance from CIPFA, the second and third layer of fees would not be disclosed with just the fees from the “fund of funds” manager stated.

In the preparation of the Funds' Annual Report for 2014/15 and 2015/16, the Funds made efforts to be completely transparent on the totality of costs incurred for managing its investment assets. The Funds' disclosures included all layers of fees. At its meeting on 28 September 2016, the Pensions Committee agreed to instruct the Committee Clerk to communicate to the Chartered Institute of Public Finance and Accountancy (CIPFA), Audit Scotland and the Scottish Local Government Pension Scheme Advisory Board (SLGPSAB), the Committee's and Convener's disquiet with the relaxation of the principle of full cost transparency of investment management fees, as explicit in CIPFA's revised guidance "Accounting for Local Government Pension Scheme Management Costs".

On 18 November 2016, the Scottish LGPS Scheme Advisory Board issued Circular 01/2016, entitled "Transparency Code". This stated that it welcomed the "Code of Transparency for LGPS Asset Managers", as developed by its counterpart in England and Wales, and asked "pension funds in Scotland to promote the code with their own asset managers". This Code is voluntary with asset managers encouraged to demonstrate their commitment to transparent reporting of costs.

In May 2018, CIPFA published "Proposals for LGPS Fund Reporting in a 'Pooled World'". "This sets out proposals for revised reporting for LGPS pension funds to meet a number of objectives", including "to further enhance reporting of costs reflecting the introduction of the LGPS SAB Code of Transparency for asset managers, and initiatives underway by the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP) which aim to create more transparent and granular reporting standards for both providers and trustees This paper has been issued by CIPFA as good practice which is to be incorporated into 2018/19 Annual Report guidance for local government pension funds. It would be helpful however if funds could also apply the guidance when preparing their 2017/18 annual reports and feedback any practical issues encountered. Proposals can then be refined as necessary before the Annual Report guidance is finalised." Although this contains explicit reference to the SAB in England and Wales and to the applicable pooling arrangements, it is anticipated that CIPFA Guidance will be revised on a UK wide basis.

The financial statements of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund continue to include full transparency of all investment management fees.

	Investment management expenses in compliance with CIPFA guidance	Investment management expenses per 2017/18 financial statements	Disclosure in excess of CIPFA guidance
	£000	£000	£000
Lothian Pension Fund	27,687	33,261	5,574
Lothian Buses Pension Fund	2,086	2,424	338
Scottish Homes Pension Fund	165	165	0
TOTAL	29,938	35,850	5,912

Investment cost benchmarking

In an effort to provide stakeholders with some comfort that the Fund is carefully managing and fully understands investment costs, Lothian Pension Fund provides data to a benchmarking expert for analysis. Investment strategy focuses on risk adjusted returns, net of costs. The Fund has participated in investment cost benchmarking provided by CEM, an independent benchmarking expert for global pension funds with a database of 331 global pension funds representing £6.2 trillion in assets. To provide a fair comparison, CEM calculates a benchmark based on fund size and asset mix, which are key drivers of investment costs.

The latest analysis shows Lothian Pension Fund's investment costs of 0.41% of Fund assets are significantly lower than CEM's benchmark cost of 0.48%, an equivalent annual saving of approximately £4.3m. This saving largely reflects the fact that the Funds manage a relatively high percentage of assets internally compared with other similar pension funds and that it has low exposure to fund-of-fund investment vehicles.

Risk

An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to internal review each quarter and a summary is reported to the Pensions Committee and Pensions Audit Sub-Committee. On an annual basis the Pensions Audit Sub-Committee reviews the register.

Risk Management

The LPF Group is committed to a strong control environment to ensure that risks are identified, understood, managed and monitored appropriately. The risks faced by the LPF Group and the Funds change over time and ongoing management of risk is crucial. The LPF Group also has a compliance policy and each manager is responsible for ensuring compliance within their area of responsibility.

As at 31 March 2018, the most significant risks (after taking account of risk reduction controls), as assessed using a score out of 10 by the Funds' 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	7	35
Recruitment and retention of appropriate key staff	6	6	36
Collapse/restructuring of an employer body leading to pressure on other employers	4	8	32
Failure of IT leading to poor ICT responsiveness, legal exposure and cost/risk implications	8	8	64
Human Resource within the Division not sufficient to carry out core task in conjunction with active or anticipated projects.	6	6	36

Risk Assurance

The Funds operates a bespoke assurance framework designed to ensure it meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and has high customer satisfaction.

Performance

The Funds have a strong commitment to customer service which drives the continual development of our services to ensure the best possible service for customers whilst recognising potential demands of the future. We set challenging performance standards and measure these through key indicators reported to our Pensions Committee and Pension Board and internal indicators reported to internal management.

Key Performance indicators 2017/18

We achieved all but one key indicator in 2017/18 except for the issuing of benefits statements. The table shows our performance against these indicators with a narrative on the performance highlights.

	Target	Actual
Maintain Customer Service Excellence Standard	Retain	Yes
Overall satisfaction of employers, active members and pensioners with our services as measured by surveys	89%	95.2%
Proportion of active members receiving a benefit statement by 31 August 2017	100%	99.9%
Proportion of critical pensions administration work completed within standards	Greater than 90%	94.8%
All staff complete at least two days training a year	Yes	Yes
Level of sickness absence	Less than 4%	1.55%
Staff survey satisfaction	75%	82%
Audit of Annual Report and Financial Statements	Unqualified opinion	Yes
Monthly pension payroll paid on time	Yes	Yes
Data quality - compliance with best practice as defined by The Pensions Regulator	Fully compliant	met
Contributions received within 19 days of the end of the month to which they relate	99.0%	99.7%

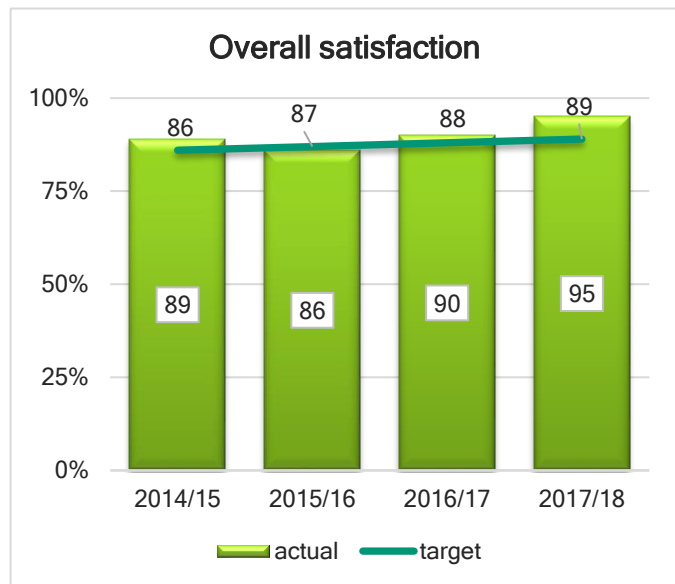
Key achievements in 2017/18

- Set up Joint Collaborative working with Falkirk Council Pension Fund
- Maintained Customer Service Excellence and Pensions Administration Standards Association accreditation
- Transferred remaining staff to LPFE
- Successfully completed the Actuarial Valuation 2017
- Completed 90% Guaranteed Minimum Pension (GMP) reconciliation with HMRC carried out inhouse.
- Provide other Scottish LGPS funds access to alternative investment through club deals
- Retained Customer Service Excellence for 10th year
- Winner – Professional Pension Scheme of the Year Awards 2017 (to £500m).

Customer feedback

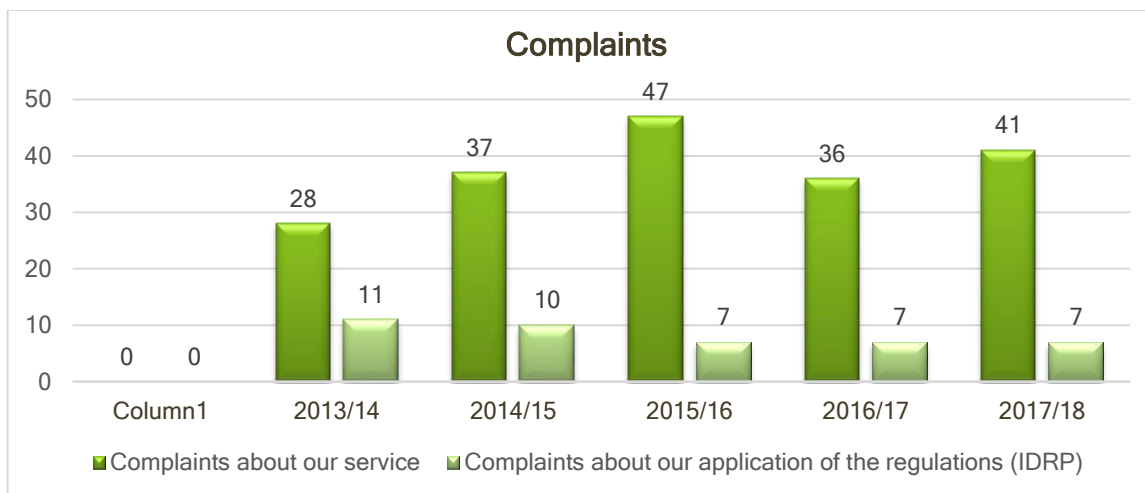
Listening to feedback is key to our services and carry out surveys to monitor individual and overall satisfaction. Our overall satisfaction question is included in all our surveys and continues to improve rising to 95% this year from 90% in 2016/17. This exceeds the target of 89%.

We also monitor complaints and ensure we respond and resolve where possible, within 20 working days. We investigate and learn from both formal and informal complaints to ensure we are continuously improving our services. Complaints are split by those about the service we provide and those about how scheme regulations are applied.



We carried out 23,500 processes in 2017/18 and there were very few complaints made, less than 0.1%.

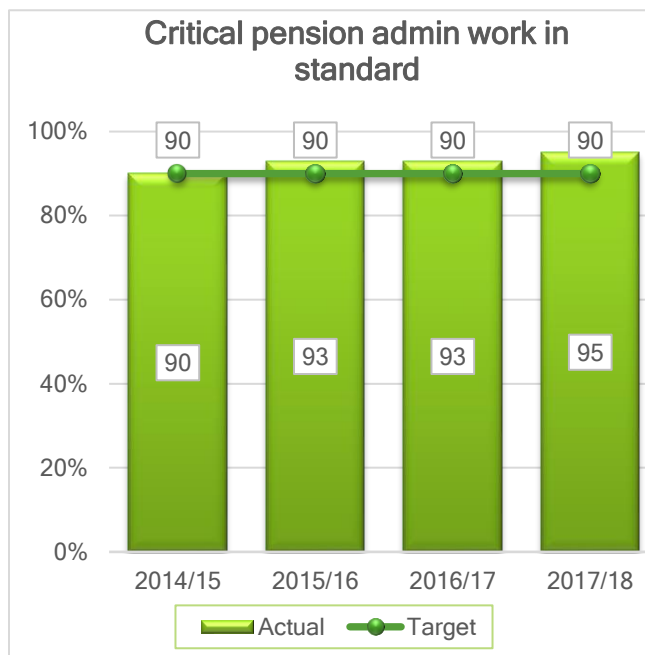
Complaints covered a broader range of issues including taking small pensions as a cash lump sum and the time it took to pay a CETV to new pension providers.



Our data

We issued 99.9% of benefit statements by the statutory deadline of 31 August 2017 with the remaining 26 statements being issued after. All employers are submitting contribution data monthly and the majority had cleaner membership data and fewer queries at the end of the year. The data of some employers continues to require significant attention.

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.



We measure our pension record keeping standards against The Pension Regulator's best practice guidance. Poor record-keeping can lead to significant additional costs in areas such as administration, error correction, claims from members as well as fines from The Pensions Regulator. Over the year, we have continued data cleansing with our employers and carried out significant additional work as part of the Actuarial Valuation. We are also carrying out external tracing of members where we do not hold a current address.

	Target	Actual
Common data	100%	99.9%
Conditional and numerical data Fund specific measurement including date of joining, pensionable remuneration, date of leaving and reasons for leaving etc.	98%	99.9%

For 2018/19, we are planning to use new tools that will provide more comprehensive analysis of membership data. This should allow us to identify and improve data quality and the service to our members.

Pension Administration

The introduction of the career average pension scheme in April 2015 has meant that pension administration has become more complex for both the Funds and employers.

We continue to review our processes to improve our performance so that the Funds can meet new challenges and deliver an excellent service to members.

Despite the challenging environment, 95% of key procedures in 2017/18 were completed in target.

Employer performance

The Pensions Administration Strategy sets out the roles and responsibilities of both the Funds and employers, specifying the levels of services the parties will provide to each other and referring to four key areas where the Funds will pass on the costs of poor performance from employers:

- Late payment of contributions;
- Late submission of membership information at the end of the year;
- Failure to supply the Funds with information required to provide members with pensions savings statements; and
- Failure to provide details of member contributions monthly.

These areas are particularly important to ensure compliance with legislation, including accurate data to administer the new career average pension scheme and the 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 Funds monitor employer performance against the standards set out in the Pension Administration Strategy. Results are reported to employers by way of an annual performance report, with more regular reporting for larger employers.

Overall employer performance for 2017/18 is shown below, with 2016/17 shown for comparison purposes.

Case type	Target (working days)	2016/17			2017/18		
		Number received	Number within target	% within target	Number received	Number within target	% within target
New members	20	4,764	4,074	86%	6,204	5,439	88%
Leavers	20	3,425	1,421	42%	2,460	1,058	43%
Retirements	20	1,244	440	35%	1,050	427	41%
Deaths in Service	10	29	21	72%	26	13	50%

The majority of new starter information continues to be received within target in most cases and the increase in number received is due to auto-enrolment regulations. For leavers, whilst the provision of leaver information in target has increased slightly, the majority continue to be received out of target. We continue to target historical cases with employers and provide missing leaver queries to employers monthly.

Unfortunately, most retirement information continues to be provided out of target. This year we saw a large increase in the number of 'early' retirements where members are over age 60 but are taking their pension benefits with a permanent actuarial reduction.

Payment of employer contributions

We monitor the payment of employer contributions as employers are required under the Pensions Act 1995 to pay contributions by the 19th of the month after the deduction was made. This is a key performance indicator with a target of was 99% contributions paid in time.

99.77% of contributions by value were paid on time. Of the 1,152 payments made, 21 were paid later than the 19th and these are shown in the table below.

Employer	Number of late payments	Employer	Number of late payments
Dean Orphanage & Cauvins Trust	2	Cyrenians	1
Enjoy East Lothian	2	Four Square	1
Homeless Action Scotland	2	Into Work	1
ISS UK Ltd	2	Open Door Accommodation Project	1
Skanska	2	Scotland's Learning Partnership	1
Barony Housing Association Ltd	1	Scottish Police Services Authority	1
Centre for the Moving Image	1	Visit Scotland	1
Children's Hearing Scotland	1	Young Scot Enterprise	1
		TOTAL	21

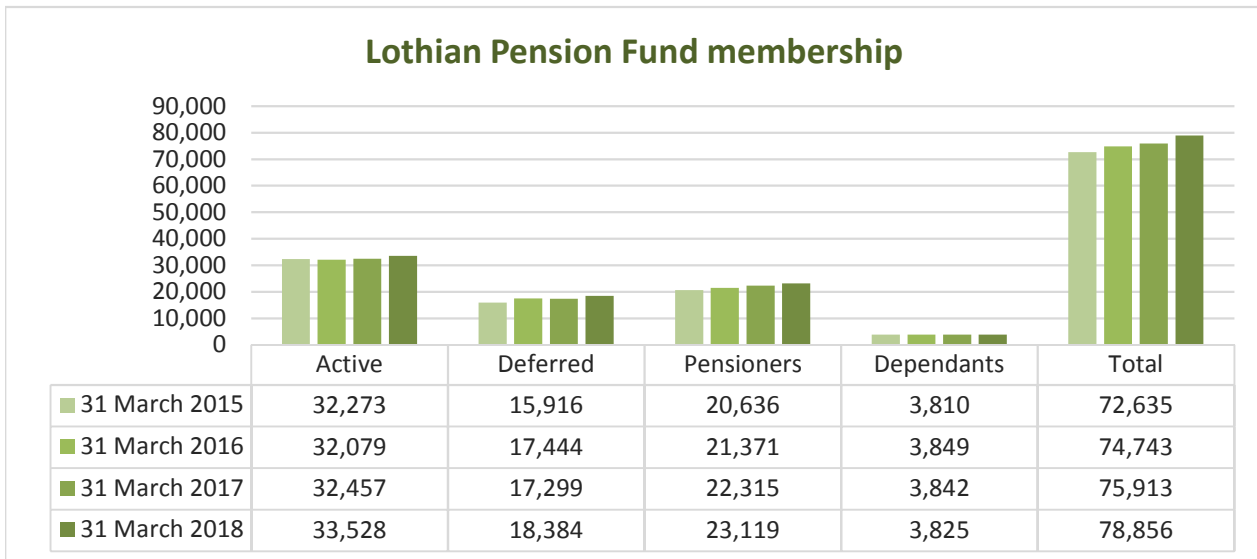
Management commentary approved by:

ANDREW KERR
Chief Executive
The City of Edinburgh Council
June 2018

CLARE SCOTT
Chief Executive
Lothian Pension Fund
June 2018

JOHN BURNS
Chief Financial Officer
Lothian Pension Fund
June 2018

Lothian Pension Fund



Investment Strategy

In order to provide suitable investment strategies for the differing requirements of employers, the Fund currently operates two investment strategies. Most employer liabilities are funded under Strategy 1, which adopts a long-term investment strategy, aiming to maximise the investment return within reasonable and considered risk parameters and hence minimise the cost to the employer. The investment strategy is set at the broad asset class level of Equities, Index-Linked Assets and Alternatives, which are the key determinants of investment risk and return.

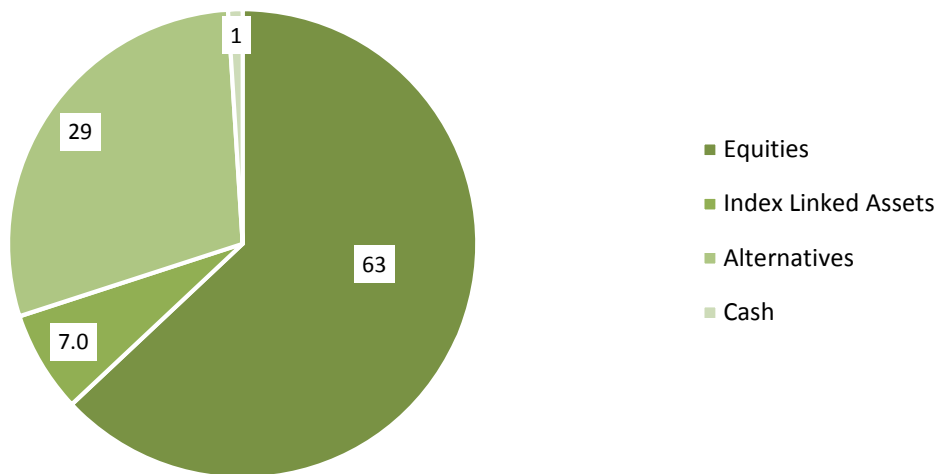
A small number of employers are funded in Strategy 2, which invests in a portfolio of UK index-linked gilts to reduce funding level and contribution rate risk as these employers approach exit from the Fund. The liabilities funded by Strategy 2 represent less than 1% of total liabilities.

The plan for the Fund's investment strategy was initially set during 2012, and reviewed again in 2015/2016, taking into account the results of the 2014 actuarial valuation. A review of investment strategy will be undertaken again over the coming months, taking into account the results of the latest 2017 actuarial valuation.

The Fund's strategy incorporates a gradually changing risk profile for the Fund, but retains significant exposure to real investments, such as Index-Linked Assets and Equities, which have a history of protecting or enhancing purchasing power, after the effects of inflation have been taken into account. Prior to the 2012-17 investment strategy, the targeted allocation was 71.5% Equities, 5% Index-Linked gilts, 22.5% Alternatives and 1% Cash. The 2012-17 strategy is shown in the table below.

Strategy 1	Long term Strategy 2012 - 2017 %	Permitted ranges %
Equities	65	50 - 75
Index Linked Assets	7	0 - 20
Alternatives	28	20 - 35
Cash	0	0 - 10
Total	100	n/a

Actual Asset Allocation (%) at 31 March 2018



A key objective of the Fund's investment strategy is to reduce risk and this is largely achieved by reducing risk within the equity pool of assets. Implementation of the strategy has involved a shift from a regional to a global manager structure. Significant steps have been taken in this regard in prior years with the introduction of the internally managed global equity portfolios. As such, 2017/18 represented much more of a "steady state" in terms of the structure within the equity exposure.

The activity in recent years has been to increase the proportion of internally managed global equity strategies to reduce investment risk. The resultant equity pool of assets is expected to perform relatively well when equity markets are weak and produce good positive absolute returns in rising equity markets.

Almost 85% of the Fund's listed equities are 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 also hedges exposures to the currencies of overseas listed equities with the explicit aim of reducing volatility rather than seeking to generate improved returns. The Fund therefore maintains exposure to currencies that are expected to reduce volatility, such as the US Dollar and Japanese Yen which tend to fall as equities rise, and hedges exposure to currencies that are expected to increase volatility, such as the Australian Dollar which tends to rise as equities rise.

Investment performance

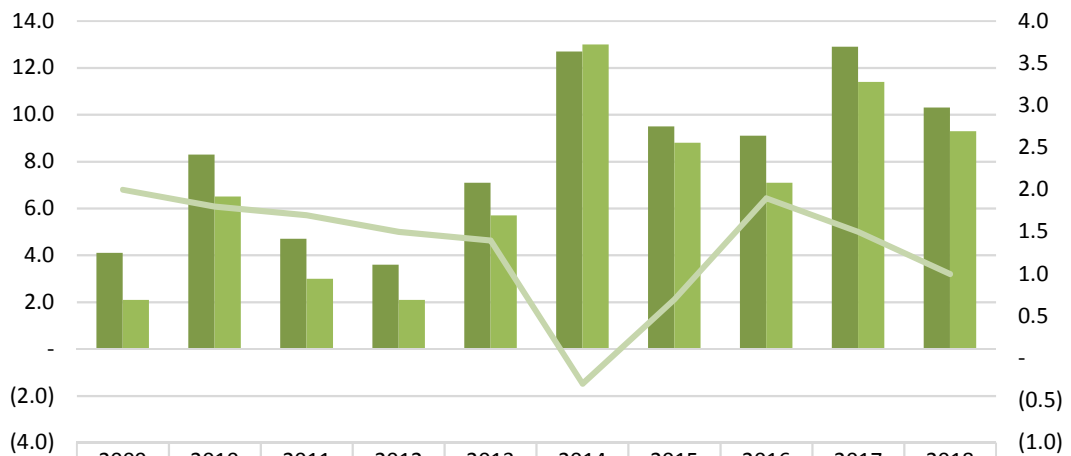
The Fund's performance over the last year and over longer-term timeframes is shown in the table below.

Annualised returns to 31 March 2017 (% per year)	1 year	5 year	10 years
Lothian Pension Fund - Strategy 1	1.4	10.3	8.7
Benchmark*	3.6	9.3	7.5
Lothian Pension Fund - Strategy 2 (from 2015)	0.5	-	-
Benchmark	0.5	-	-
Actuarial Valuation Assumptions - Strategy 1 **	3.2	4.8	5.4
Actuarial Valuation Assumptions - Strategy 2 **	1.7	-	-
Retail Price Index (RPI)	3.3	2.3	2.7
Consumer Price Index (CPI)	2.3	1.4	2.3
National Average Earnings	2.4	2.6	1.6

*Comprises equity, index-linked gilts and cash indices as well as an inflation-linked index for the alternatives allocation

**estimated

Annualised 5 yearly returns ending 31 March for Strategy 1 (% per year)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fund	4.1	8.3	4.7	3.6	7.1	12.7	9.5	9.1	12.9	10.3
Benchmark	2.1	6.5	3.0	2.1	5.7	13.0	8.8	7.1	11.4	9.3
Relative (RHS)	2.0	1.8	1.7	1.5	1.4	(0.3)	0.7	1.9	1.5	1.0

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 performance of Strategy 2 was in line with benchmark over the year, returning +0.5%. Performance of this strategy has also been in line with benchmark since inception (29 March 2016), with a return of +10.1% per annum.

The Fund's return has exceeded its objective of meeting the benchmark return over the economic cycle, with both the 5 and 10 year return ahead of benchmark. The direction of the Fund's performance when markets are increasing and decreasing is one way of measuring volatility. The lower volatility objective and strategy for Strategy 1 was put in place in December 2013 and over this period market volatility has been relatively benign, for the most part. Nevertheless, performance since the change in structure (with the launch of the global low volatility equity portfolio and the shift from regional passive to active) indicates that the Fund is delivering returns with lower volatility than its benchmark.

For Strategy 1, fund performance since January 2014 to March 2018 has been:

- better than the strategic allocation when markets fell (17 out of 51 months) with average performance of 0.32% better than the strategic benchmark and,
- very marginally worse than the strategic allocation when markets were rising (34 out of 51 months) with average performance 0.03% behind the strategic benchmark.

Risk analysis also shows that the portfolio is positioned well if markets fall significantly.

Lothian Pension Fund

Fund Account for year ended 31 March 2018

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the Local Government Pension Scheme. Included is the income generated from employers' and employees' contributions and investment income, as well as the cost of providing benefits and administration of the Fund.

Lothian Pension Fund Parent 2016/17 £000	Lothian Pension Fund Group 2016/17 £000		Note	Lothian Pension Fund Parent 2017/18 £000	Lothian Pension Fund Group 2017/18 £000
Income					
153,735	153,735	Contributions from employers	4	148,821	148,821
42,578	42,578	Contributions from members	5	43,421	43,421
5,536	5,536	Transfers from other schemes	6	4,191	4,191
201,849	201,849			196,433	196,433
Less: expenditure					
141,778	141,778	Pension payments including increases	7	149,384	149,384
48,895	48,895	Lump sum retirement payments	8	42,533	42,533
6,384	6,384	Lump sum death benefits	9	6,359	6,359
615	615	Refunds to members leaving service		596	596
361	361	Premiums to State Scheme		129	129
11,098	11,098	Transfers to other schemes	10	12,517	12,517
1,895	1,954	Administrative expenses	11a	1,950	2,151
211,026	211,085			213,468	213,669
(9,177)	(9,236)	Net (withdrawals)/additions from dealing with members		(17,035)	(17,236)
Returns on investments					
153,016	153,016	Investment income	12	163,869	163,869
1,044,952	1,044,952	Change in market value of investments	14, 20b	(43,288)	(43,288)
(27,375)	(27,712)	Investment management expenses	11b	(32,643)	(33,261)
1,170,593	1,170,256	Net returns on investments		87,938	87,320
1,161,416	1,161,020	Net increase in the Fund during the year		70,903	70,084
5,434,014	5,433,871	Net assets of the Fund at 1 April 2017		6,595,430	6,594,891
6,595,430	6,594,891	Net assets of the Fund at 31 March 2018		6,666,333	6,664,975

Lothian Pension Fund

Net Assets Statement as at 31 March 2018

This statement provides a breakdown of type and value of all net assets at the year end.

Lothian Pension Fund Parent	Lothian Pension Fund Group		Lothian Pension Fund Parent	Lothian Pension Fund Group
31 March 2017	31 March 2017		31 March 2018	31 March 2018
£000	£000	Note	£000	£000
Investments				
6,570,547	6,570,547	Assets	6,633,467	6,633,467
(1,798)	(1,798)	Liabilities	(5,112)	(5,112)
6,568,749	6,568,749	Net investment assets	6,628,355	6,628,355
Non current assets				
259	259	Debtors	1,525	1,525
248	248	Computer systems	168	168
50	-	Share Capital	60	-
-	117	Deferred tax	-	292
557	624		1,753	1,985
Current assets				
4,467	4,467	The City of Edinburgh Council	2,784	2,784
27,278	27,362	Cash balances	47,024	47,117
14,938	14,965	Debtors	15,564	15,634
46,683	46,794		65,372	65,535
Non current liabilities				
-	(685)	Retirement benefit obligation	-	(1,715)
-	(685)		-	(1,715)
Current liabilities				
(20,559)	(20,591)	Creditors	(29,147)	(29,185)
(20,559)	(20,591)		(29,147)	(29,185)
6,595,430	6,594,891	Net assets of the Fund at 31 March	6,666,333	6,664,975

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on XX September 2018.

JOHN BURNS FCMA CGMA

Chief Finance Officer, Lothian Pension Fund

27 June 2018

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 Accounts

1 Statement of Accounting Policies

The statement of accounting policies for all Funds can be found on page 114.

2 Lothian Pension Fund Group

Basis of consolidation, presentation of financial statements and notes

Commencing with the year ended 31 March 2017, 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 entities (LPFE Limited and LPFI 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 the controlled entities activities are primarily focused on the provision of services to the Fund, 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".

Note	Description
28	Related party transactions and balances Describes transactions during the year and balances at year end which relate to the parent and the companies.
29a	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.
29b	Consolidated Lothian Pension Fund group - LPFE Limited and LPFI Limited - share capital Describes the share capital of the Company.
30	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.

Prior to the consolidation of the group accounts the LPFE and LPFI boards met on the 28th May 2018 and approved their respective audited financial statements for 2017/18. The figures used in the consolidation are from these audited financial statements.

3 Events after the Reporting Date

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

At its meeting on 26 March 2018, the Pensions Committee approved the merger of the assets and liabilities of the Lothian Buses Pension Fund into the Lothian Pension Fund at the earliest suitable date (to be determined by the Executive Director of Resources), subject to the satisfactory completion of a revised admission agreement and shareholder guarantee.

Notes to the Accounts

4 Contributions from employers

The total contributions receivable for the administering authority, other scheduled bodies and admitted bodies were as follows:-

By category	2016/17 £000	2017/18 £000
Future service rate	133,301	136,968
Past service deficit	7,668	7,694
Strain costs	12,558	2,747
Cessation contributions	208	1,412
	153,735	148,821

By employer type	2016/17 £000	2017/18 £000
Administering Authority	63,542	55,041
Other Scheduled Bodies	71,426	73,692
Community Admission Bodies	18,312	19,629
Transferee Admission Bodies	455	459
	153,735	148,821

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 cessation contributions.

5 Contributions from members

By employer type	2016/17 £000	2017/18 £000
Administering Authority	15,345	15,633
Other Scheduled Bodies	20,993	21,475
Community Admission Bodies	6,099	6,161
Transferee Admission Bodies	141	152
	42,578	43,421

Notes to the Accounts

6 Transfers in from other pension schemes

	2016/17 £000	2017/18 £000
Group transfers	-	-
Individual transfers	5,536	4,191
	5,536	4,191

7 Pensions payable

By employer type	2016/17 £000	2017/18 £000
Administering Authority	70,547	73,922
Other Scheduled Bodies	58,364	61,729
Community Admission Bodies	12,687	13,537
Transferee Admission Bodies	180	196
	141,778	149,384

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.

8 Lump sum retirement benefits payable

By employer type	2016/17 £000	2017/18 £000
Administering Authority	26,340	16,623
Other Scheduled Bodies	18,503	20,650
Community Admission Bodies	3,900	5,131
Transferee Admission Bodies	152	129
	48,895	42,533

9 Lump sum death benefits payable

By employer type	2016/17 £000	2017/18 £000
Administering Authority	2,578	3,375
Other Scheduled Bodies	3,312	2,571
Community Admission Bodies	488	413
Transferee Admission Bodies	6	-
	6,384	6,359

Notes to the Accounts

10 Transfers out to other pension schemes	2016/17 £000	2017/18 £000
Group transfers	173	-
Individual transfers	10,925	12,517
	11,098	12,517

11a Total management expenses

In accordance with CIPFA, the below analysis looks at the combined administration and investment management expenses in notes 11b and c and splits out the costs to include a third category covering oversight and governance expenditure. Administration costs such as Actuarial fees and Investment Management expenses such as investment consultancy would instead be shown in the Oversight and governance costs category.

	LPF Parent 2016/17 £000	LPF Group 2016/17 £000	LPF Parent 2017/18 £000	LPF Group 2017/18 £000
Administrative costs	1,686	1,719	1,615	1,801
Investment management expenses	26,345	26,592	31,620	31,918
Oversight and governance costs	1,239	1,355	1,359	1,693
	29,270	29,666	34,594	35,412

11b Administrative expenses

	LPF Parent 2016/17 £000	LPF Group 2016/17 £000	LPF Parent 2017/18 £000	LPF Group 2017/18 £000
Employee Costs	1,093	1,098	1,143	1,167
The City of Edinburgh Council - other support costs	132	132	-	-
System costs	231	231	292	293
Actuarial fees	64	64	116	116
External/Internal audit fees	41	49	65	71
Legal fees	60	60	2	2
Printing and postage	79	79	115	115
Depreciation	57	57	57	57
Office costs	110	110	102	102
Sundry costs less sundry income	28	18	58	57
IAS19 retirement benefit adjustments - see note 30		66	-	206
Deferred tax on retirement benefit obligation - see note 29a		(10)	-	(35)
Corporation tax losses utilised by CEC group - see note 28	-	-	-	-
	1,895	1,954	1,950	2,151

LPFE Ltd, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the three pension Funds. The Service receives an allocation of the overheads of the Council. In turn the Service 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.

Notes to the Accounts

11c Investment management expenses

	LPF Parent 2016/17 £000	LPF Group 2016/17 £000	LPF Parent 2017/18 £000	LPF Group 2017/18 £000
External management fees - invoiced	3,970	3,970	4,270	4,270
deducted from capital (direct investment)	15,245	15,245	18,642	18,642
deducted from capital (indirect investment)	4,157	4,157	5,574	5,574
Securities lending fees	155	155	173	173
Transaction costs - Equities	956	956	1,148	1,148
Property operational costs	558	558	337	337
Employee costs	1,116	1,149	1,272	1,375
Custody fees	300	300	368	368
Engagement and voting fees	82	82	86	86
Performance measurement fees	50	50	62	62
Consultancy fees	64	64	49	49
Research fees	-	-	65	65
System costs	245	245	299	300
Legal fees	210	210	61	89
The City of Edinburgh Council - other support costs	111	111	-	-
Depreciation	7	7	7	7
Office costs	85	85	78	78
Sundry costs less sundry income	64	(1)	152	(54)
IAS19 retirement benefit adjustments - see note 30	-	439	-	824
Deferred tax on retirement benefit obligation - see note 29	-	(70)	-	(140)
Corporation tax losses utilised by CEC group - see note 28	-	-	-	8
	27,375	27,712	32,643	33,261

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 14 - Reconciliation of movements in investments and derivatives).

The external investment management fees (deducted from capital) above include £8.9m (£6.6m direct, £2.3m indirect) in respect of performance-related fees compared to £4.0m in 2016/17 (£3.9m direct, £0.1m indirect).

It should be noted that Lothian Pension Fund's disclosure on investment management fees goes further than CIPFA's LGPS Management Cost revised guidance on cost transparency which came into effect from 1st April 2016. 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 25. This further disclosure highlights an extra £5.6m in costs (2017 £4.2m).

Notes to the Accounts

12 Investment income

	2016/17 £000	2017/18 £000
Income from fixed interest securities	3,589	4,006
Dividends from equities	120,326	131,588
Unquoted private equity and infrastructure	5,646	7,601
Income from pooled investment vehicles	1,111	5,130
Gross rents from properties	23,085	23,079
Interest on cash deposits	597	675
Stock lending and sundries	775	865
	155,129	172,944
Irrecoverable withholding tax	(2,113)	(9,075)
	153,016	163,869

Included within the dividend from equities income for the year is cross border withholding tax yet to be received. These reclaims have a high certainty of success and are completed and managed by the Fund's custodian Northern Trust. For the period of 2017/18 £4,014k of the stated income relates to tax yet to be received. At the 31st March 2018 £7,135k (including prior periods) of investment income receivable related to cross border withholding tax. The Fund monitors these claims to ensure its optimum tax efficiency and provides an annual progress report to the Pensions Audit Sub-Committee.

Notes to the Accounts

13 Net investment assets

	Region	31 March 2017 £000	31 March 2018 £000
Investment Assets			
Bonds			
Public sector fixed interest	UK	156,876	153,585
Public sector index linked gilts quoted	UK	502,439	508,572
		659,315	662,157
Equities			
Quoted	UK	655,522	528,882
Quoted	Overseas	3,564,953	3,481,292
		4,220,475	4,010,174
Pooled investment vehicles			
Private equity, infrastructure, private debt & timber	UK	457,647	495,441
Private equity, infrastructure, private debt & timber	Overseas	556,623	567,141
Property	UK	67,969	66,638
Other	UK	19,191	867
		1,101,430	1,130,087
Properties			
Direct property	UK	356,741	392,743
		356,741	392,743
Derivatives			
Derivatives - forward foreign exchange		1,081	12,121
		1,081	12,121
Cash deposits			
Deposits		216,036	407,689
		216,036	407,689
Other investment assets			
Due from broker		1,320	2,677
Dividends and other income due		14,521	15,819
		15,841	18,496
Total investment assets		6,570,919	6,633,467
Investment liabilities			
Derivatives			
Derivatives - forward foreign exchange		(424)	(204)
		(424)	(204)
Other financial liabilities			
Due to broker		(1,746)	(4,908)
		(1,746)	(4,908)
Total investment liabilities		(2,170)	(5,112)
Net investment assets		6,568,749	6,628,355

Notes to the Accounts

14a Reconciliation of movement in investments and derivatives

	Market value at 31 March 2017 £000	Purchases at cost & derivative payments £000	Sale & derivative receipts £000	Change in market value £000	Market value at 31 March 2018 £000
Bonds	659,315	38,157	(35,692)	377	662,157
Equities	4,220,475	878,940	(929,194)	(160,047)	4,010,174
Pooled investment vehicles	1,101,430	64,330	(145,328)	109,655	1,130,087
Property	356,741	40,758	(17,329)	12,573	392,743
Derivatives - futures	-	11	163	(174)	-
Derivatives - forward foreign exchange	657	2,968	(3,711)	12,003	11,917
	6,338,618	1,025,164	(1,131,091)	(25,613)	6,207,078
Other financial assets / liabilities					
Cash deposits*	216,036			(17,667)	407,689
Broker balances*	(426)			(8)	(2,231)
Investment income due*	14,521			-	15,819
	230,131			(17,675)	421,277
Net financial assets	6,568,749			(43,288)	6,628,355

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 2016 £000	Purchases at cost & derivative payments £000	Sale & derivative receipts £000	Change in market value £000	Market value at 31 March 2017 £000
Bonds	534,030	596,611	(595,768)	124,442	659,315
Equities	3,448,949	591,687	(573,782)	753,621	4,220,475
Pooled investment vehicles	815,893	266,289	(140,168)	159,416	1,101,430
Property	356,280	4,675	(2,358)	(1,856)	356,741
Derivatives - futures	-	(484)	(7,113)	7,597	-
Derivatives - forward foreign exchange	(13,183)	42,385	(8,823)	(19,722)	657
	5,141,969	1,501,163	(1,328,012)	1,023,498	6,338,618
Other financial assets / liabilities					
Cash deposits*	227,409			21,837	216,036
Broker balances*	17,205			(383)	(426)
Investment income due*	12,380			-	14,521
	256,994			21,454	230,131
Net financial assets	5,398,963			1,044,952	6,568,749

* As per CIPFA disclosures the change in market value intentionally does not balance opening/closing market values

Notes to the Accounts

14d Reconciliation of fair value measurements within level 3

	Market value at 31 March 2017	Level 3 transfers		Purchases at cost & derivative payments	Sales & derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31 March 2018
		in	out					
Pooled investments								
Infrastructure	663,194	-	-	107,269	(111,609)	31,841	36,874	727,569
Property	67,969	-	-	-	(3,204)	6,801	(4,928)	66,638
Private Equity	129,311	-	-	297	(50,137)	(24,246)	35,178	90,403
Timber	132,532	-	-	-	(15,114)	(9,241)	3,220	111,397
Private debt	89,233	-	-	53,368	(15,317)	5,704	230	133,218
Freehold Property	356,741	-	-	40,758	(17,329)	5,842	6,731	392,743
	1,438,980	-	-	201,692	(212,710)	16,701	77,305	1,521,968

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

15 Derivatives - forward foreign exchange

Summary of contracts held at 31 March 2018

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	48,179	82,284	3,213	-
Up to one month	AUD	GBP	6,793	3,915	-	(202)
Up to one month	GBP	CAD	108,389	180,036	8,875	-
Up to one month	JPY	USD	33,328	314	-	(1)
Up to one month	ZAR	USD	4,359	369	-	(1)
One to six months	USD	CHF	9,264	8,695	33	-

Open forward currency contracts at 31 March 2018

12,121	(204)
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Net forward currency contracts at 31 March 2018

11,917

Prior year comparative

Open forward currency contracts at 31 March 2017

1,081	(424)
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Net forward currency contracts at 31 March 2017

657

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.

Notes to the Accounts

16 Investment managers and mandates

Manager	Mandate	Market value at 31 March 2017 £000	% of total 31 March 2017 %	Market value at 31 March 2018 £000	% of total 31 March 2018 %
In-house	UK all cap equities	130,362	2.0	139,655	2.1
In-house	UK mid cap equities	121,061	1.8	131,607	2.0
Total UK equities		251,423	3.8	271,262	4.1
In-house	European ex UK equities	120,393	1.8	130,696	2.0
In-house	US equities	150,941	2.3	146,279	2.2
Total regional overseas equities		271,334	4.1	276,975	4.2
In-house	Global high dividend	928,720	14.1	856,911	12.9
In-house	Global low volatility	1,162,921	17.7	1,097,057	16.6
In-house	Global multi factor value	985,286	15.0	934,708	14.1
Harris	Global equities	263,263	4.0	273,298	4.1
Nordea	Global equities	280,815	4.3	268,444	4.0
Total global equities		3,621,005	55.1	3,430,418	51.7
In-house	Currency hedge	708	0.0	11,885	0.2
Total currency overlay		708	0.0	11,885	0.2
Total listed equities		4,144,470	63.1	3,990,540	60.2
In-house	Private equity unquoted	129,311	2.0	90,403	1.4
In-house	Private equity quoted	75,902	1.2	61,885	0.9
Total private equity		205,213	3.2	152,288	2.3
Total equity		4,349,683	66.3	4,142,828	62.5
In-house	Index linked gilts	450,833	6.9	455,930	6.9
In-house	Gold	19,652	0.3	-	-
Total inflation linked assets		470,485	7.2	455,930	6.9
In-house	Property	38,038	0.6	37,447	0.6
Standard Life	Property	414,574	6.3	454,430	6.8
Total property		452,612	6.9	491,877	7.4
In-house	Infrastructure unquoted	663,194	10.1	727,569	11.0
In-house	Infrastructure quoted	23,548	0.4	18,981	0.3
In-house	Timber	132,532	2.0	111,397	1.7
Total other real assets		819,274	12.5	857,947	13.0
In-house	Secured loans	14,142	0.2	-	0.0
In-house	Private debt	89,233	1.4	133,218	2.0
In-house	Other bonds	159,307	2.4	158,280	2.4
Total debt assets		262,682	4.0	291,498	4.4

Notes to the Accounts

16 Investment managers and mandates (cont)

Manager	Mandate	Market value at 31 March 2017 £000	% of total 31 March 2017 %	Market value at 31 March 2018 £000	% of total 31 March 2018 %
In-house	Cash	159,645	2.4	332,090	5.0
In-house	Transitions	92	0.0	1,614	0.0
Total cash and sundries		159,737	2.4	333,704	5.0
Strategy A financial assets		6,514,473	99.2	6,573,784	99.2
In-house	Mature employer gilts	54,276	0.8	54,571	0.8
Strategy B financial assets		54,276	0.8	54,571	0.8
Net financial assets		6,568,749	100.0	6,628,355	100.0

Over the last two years no single investment represented more than 5% of the net assets of the Fund.

18 Securities lending

During the year Lothian Pension Fund participated in a securities lending arrangement with the Northern Trust Company. As at 31 March 2018, £254.9m (2017 £220.3m) of securities were released to third parties. Collateral valued at 105.5% (2017 104.6%) of the market value of the securities on loan was held at that date.

19 Property holdings

	2016/17 £000	2017/18 £000
Opening balance	356,280	356,741
Additions	4,675	40,875
Disposals	(2,358)	(17,329)
Net change in market value	(1,856)	12,456
Closing balance	356,741	392,743

As at 31 March 2018, 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 does have funding approval in place of £850,000 for the planning, design and contractor procurement to potentially re-develop 100 St John Street, London

The future minimum lease payments receivable by the Fund are as follows

	2016/17 £000	2017/18 £000
Within one year	22,526	23,327
Between one and five years	67,195	66,574
Later than five years	99,741	101,160
	189,462	191,061

Notes to the Accounts

20 Financial Instruments

20a 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.

Classification of financial instruments - parent	31 March 2017			31 March 2018		
	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Investment assets						
Bonds	659,316	-	-	662,156	-	-
Equities	4,220,475	-	-	4,010,174	-	-
Pooled investments	1,101,430	-	-	1,130,087	-	-
Property Leases	6,243	-	-	4,376	-	-
Derivative contracts	1,081	-	-	12,121	-	-
Margin balances	-	-	-	-	-	-
Cash	-	216,036	-	-	407,689	-
Other balances	-	15,841	-	-	18,496	-
	5,988,545	231,877	-	5,818,914	426,185	-
Other assets						
City of Edinburgh Council	-	4,467	-	-	2,784	-
Cash	-	27,278	-	-	47,024	-
Share Capital	-	50	-	-	60	-
Debtors - current	-	14,937	-	-	15,564	-
Debtors - non-current	-	259	-	-	1,525	-
	-	46,991	-	-	66,957	-
Assets total	5,988,545	278,868	-	5,818,914	493,142	-
Financial liabilities						
Investment liabilities						
Derivative contracts	(424)	-	-	(204)	-	-
Other investment balances	(1,746)	-	-	(4,908)	-	-
	(2,170)	-	-	(5,112)	-	-
Other liabilities						
Creditors	-	-	(20,559)	-	-	(29,147)
Liabilities total	(2,170)	-	(20,559)	(5,112)	-	(29,147)
Total net assets	5,986,375	278,868	(20,559)	5,813,802	493,142	(29,147)
Total net financial instruments			6,244,684			6,277,797
Amounts not classified as financial instruments			348,707			388,536
Total net assets - parent			6,593,391			6,666,333

Notes to the Accounts

20a Classification of financial instruments (cont)

Classification of financial instruments - adjustments to parent to arrive at group

	31 March 2017			31 March 2018		
	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Other assets						
Cash	-	84	-	-	93	-
Share Capital	-	(50)	-	-	(60)	-
Debtors - current	-	27	-	-	70	-
Debtors - non-current	-	117	-	-	292	-
	-	178	-	-	395	-
Assets total	-	178	-	-	395	-
Other liabilities						
Retire. benefit obligation	-	-	(685)	-	-	(1,715)
Creditors	-	-	(32)	-	-	(38)
Liabilities total	-	-	(717)	-	-	(1,753)
Total net assets	-	178	(717)	-	395	(1,753)
Total adjustments to net financial instruments			(539)			(1,358)
Total net assets - group			6,592,852			6,664,975

20b Net gains and losses on financial instruments

	2016/17 £000	2017/18 £000
Designated as fair value through fund account	1,025,354	(38,186)
Loans and receivables	21,454	(17,675)
Financial liabilities at amortised cost	-	-
Total	1,046,808	(55,861)
Gains and losses on directly held freehold property	(1,856)	12,573
Change in market value of investments per fund account	1,044,952	(43,288)

Notes to the Accounts

20c Fair Value Hierarchy

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 2018			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Designated as fair value through fund account	4,023,162	662,156	1,135,464	5,820,782
Non-financial assets at fair value through profit and loss	-	-	386,500	386,500
Loans and receivables	426,185	-	-	426,185
Total investment assets	4,449,347	662,156	1,521,964	6,633,467
Investment liabilities				
Designated as fair value through fund account	(5,112)	-	-	(5,112)
Total investment liabilities	(5,112)	-	-	(5,112)
Net investment assets	4,444,235	662,156	1,521,964	6,628,355

Notes to the Accounts

20c Fair Value Hierarchy

	31 March 2017			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Investment assets				
Designated as fair value through fund account	4,269,539	659,316	1,059,690	5,988,545
Non-financial assets at fair value through profit and loss	-	-	350,498	350,498
Loans and receivables	231,877	-	-	231,877
Total investment assets	4,501,416	659,316	1,410,188	6,570,920
Investment liabilities				
Designated as fair value through fund account	(2,171)	-	-	(2,171)
Total investment liabilities	(2,171)	-	-	(2,171)
Net investment assets	4,499,245	659,316	1,410,188	6,568,749

21 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. Investment strategy A aims to maximise the returns from investments within reasonable risk parameters and hence minimise the long-term cost to employers. It 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 strategies 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.

Notes to the Accounts

21 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. 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	10.0%
Fixed Interest Gilts	6.5%
Index-Linked Gilts	11.0%
Infrastructure	12.0%
Property	13.0%
Cash	1.0%

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 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.

Notes to the Accounts

21 Nature and extent of risk arising from financial instruments (cont)

	Value at 31 March 2018 £m	% of fund %	Potential Change +/- %	Value on increase £m	Value on decrease £m
Equities - Developed Markets	3,770	56.9	20.5	4,542.9	2,997.2
Equities - Emerging Markets	208	3.1	30.0	270.4	145.6
Private Equity	152	2.3	30.0	197.6	106.4
Timber and Gold	111	1.7	18.0	131.0	91.0
Secured Loan	133	2.0	10.0	146.3	119.7
Fixed Interest Gilts	158	2.4	6.5	168.3	147.7
Index-Linked Gilts	511	7.7	11.0	567.2	454.8
Infrastructure	747	11.3	12.0	836.6	657.4
Property	492	7.4	13.0	556.0	428.0
Cash and forward foreign exchange	346	5.2	1.0	349.5	342.5
Total [1]	6,628	100.0	17.2	7,765.8	5,490.3
Total [2]			13.8	7,545.6	5,710.4
Total [3]			13.9	7,551.4	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.

Notes to the Accounts

21 Nature and extent of risk arising from financial instruments (cont)

Cash deposits

At 31 March 2018, cash deposits represented £454.7m, 6.82% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2018	Balances at 31 March 2017 £000	Balances at 31 March 2018 £000
Held for investment purposes			
Northern Trust Global Investment Limited - liquidity funds	Aaa-mf	83,249	8,075
Northern Trust Company - cash deposits	Aa2	40,697	308,831
The City of Edinburgh Council - treasury management	See below	92,090	90,783
Total investment cash		216,036	407,689
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	27,278	47,024
Total cash - parent		243,314	454,713
Cash held by LPFE/LPFI Limited			
Royal Bank of Scotland	A3	84	93
Total cash - group		243,398	454,806

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 2018	Balances at 31 March 2017 £000	Balances at 31 March 2018 £000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	652	596
Goldman Sachs	Aaa-mf	14	1
Standard Life Investments Sterling Liquidity Fund	Aaa-mf	-	20,424
Bank call accounts			
Bank of Scotland	Aa3	11,911	13,606
Royal Bank of Scotland	A3	169	501
Santander UK	Aa3	30	361
Barclays Bank	A1	2	11
Svenska Handelsbanken	Aa2	23	676
HSBC Bank PLC	Aa3	4	51
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa1	106,563	101,580
		119,368	137,807

[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 2018 was 'Aa1').

Notes to the Accounts

21 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
- (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 defaulting. 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 2018, the Fund was owed £11.9m 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 77% (2017 78%)) of the Fund's investments could be converted to cash within three months in a normal trading environment.

22 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.

Notes to the Accounts

23 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 £7,791m (2017 £8,210m). 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.

	31 March 2017 % p.a.	31 March 2018 % p.a.
Inflation / pensions increase rate	2.4	2.4
Salary increase rate	4.4	4.1
Discount rate	2.6	2.7

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2016 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 2017		31 March 2018	
	Males	Females	Males	Females
Current pensioners	22.1 years	23.7 years	21.7 years	24.3 years
Future pensioners (assumed to be currently 45)	24.2 years	26.3 years	24.7 years	27.5 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.

24 Non-current Debtors

	LPF Parent 31 March 2017 £000	LPF Group 31 March 2017 £000	LPF Parent 31 March 2018 £000	LPF Group 31 March 2018 £000
	Contributions due - employers' cessation	259	259	1,525
	259	259	1,525	1,525

In accordance with the Funding Strategy Statement and in recognition of severe affordability constraints facing the charitable sector, "Funding Agreements" have been put in place to allow certain former employers to repay cessation valuation debt over longer terms (up to twenty years), to avoid potential default or insolvency.

The above debtors all relate to community admission bodies.

Notes to the Accounts

25 Debtors

	LPF Parent 31 March 2017 £000	LPF Group 31 March 2017 £000	LPF Parent 31 March 2018 £000	LPF Group 31 March 2018 £000
Contributions due - employers	11,434	11,434	11,586	11,586
Contributions due - members	3,304	3,304	3,517	3,517
Benefits paid in advance or recoverable	-	-	33	33
Sundry debtors	160	193	92	163
Corporation tax losses utilised by CEC group	-	1	-	-
Prepayments	283	292	325	335
LPFE & LPFI Limited Loan facility - see note 29	16	-	11	-
	15,197	15,224	15,564	15,634

Analysis of debtors

	LPF Parent 31 March 2017 £000	LPF Group 31 March 2017 £000	LPF Parent 31 March 2018 £000	LPF Group 31 March 2018 £000
Administering Authority	6,081	6,081	6,122	6,122
Other Scheduled Bodies	6,477	6,477	7,061	7,061
Community Admission Bodies	2,158	2,158	1,926	1,926
Transferee Admission Bodies	35	35	33	33
Other Local Authorities	22	56	7	43
Central Government Bodies	-	-	-	-
Other entities and individuals	424	417	415	449
	15,197	15,224	15,564	15,634

26 Creditors

	LPF Parent 31 March 2017 £000	LPF Group 31 March 2017 £000	LPF Parent 31 March 2018 £000	LPF Group 31 March 2018 £000
Benefits payable	5,745	5,745	6,914	6,914
VAT, PAYE and State Scheme premiums	2,940	3,052	1,432	1,571
Contributions in advance	8,719	8,719	18,290	18,290
Miscellaneous creditors and accrued expenses	2,760	2,809	1,982	2,167
Office - operating lease	266	266	243	243
LPFE Loan facility - see note 29	24	-	-	-
Intra group creditor - see note 29	105	-	287	-
	20,559	20,591	29,148	29,185

Notes to the Accounts

26 Creditors (cont)

Analysis of Creditors

	LPF Parent 31 March 2017 £000	LPF Group 31 March 2017 £000	LPF Parent 31 March 2018 £000	LPF Group 31 March 2018 £000
Administering Authority	51	51	295	295
Other Scheduled Bodies	11,715	11,715	18,251	18,251
Community Admission Bodies	19	19	28	28
Transferee Admission Bodies	-	-	-	-
Central Government Bodies	2,889	3,001	1,432	1,571
Other entities and individuals	5,885	5,805	9,142	9,040
	20,559	20,591	29,148	29,185

27 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	2016/17 £000	2017/18 £000
Standard Life	339	305
Prudential	1,816	1,983
	2,155	2,288

Total value at year end for Lothian Pension Fund	31 March 2017 £000	31 March 2018 £000
Standard Life	5,041	4,705
Prudential	5,097	6,259
	10,138	10,964

28 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.

LPFE Ltd which is a wholly owned subsidiary of the Council is responsible for administering the three Pension Funds. The Service receives an allocation of the overheads of the Council, based on the amount of central services consumed. In turn, the Service 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.

Notes to the Accounts

28 Related parties (cont)

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 2017 £000	31 March 2018 £000
Year end balance of holding account	4,467	2,784
	4,467	2,784

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 2018, the fund had an average investment balance of £117.1m (2016/17 £105.7m). Interest earned was £482k (2016/17 £427.4k).

Year end balance on treasury management account	31 March 2017 £000	31 March 2018 £000
Held for investment purposes	92,090	90,783
Held for other purposes	27,278	47,024
	119,368	137,807

Scheme employers

All scheme employers to the fund are (by definition) related parties, a full list of employers can be found on page 69. The employer contributions for the ten largest scheme employers are as follows -

	31 March 2017 £000	31 March 2018 £000
City of Edinburgh Council	63,542	50,041
West Lothian Council	22,214	22,895
East Lothian Council	13,267	13,812
Midlothian Council	11,849	13,148
Scottish Water	9,191	9,526
Edinburgh Napier University	5,001	4,938
Heriot-Watt University	3,077	3,324
Scottish Police Authority	3,519	2,945
Edinburgh College	2,924	2,289
Audit Scotland	2,020	1,944

Governance

As at 31 March 2018, all members of the Pensions Committee, with the exception of Richard Lamont, and all members of the Pension Board, were members of the Lothian Pension Fund or Lothian Buses Pension Fund, with one member of the Pension Board in receipt of pension benefits from Lothian 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.

Notes to the Accounts

28 Related parties (cont)

During the period from 1 April 2017 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 City of Edinburgh Council members of staff, 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 2017	Accrued CETV as at 31 March 2018
		£000	£000
Stephen Moir*	Executive Director of Resources, City of Edinburgh Council	-	22
Hugh Dunn*	Head of Finance, City of Edinburgh Council	1,251	949
Katy Miller*	Head of Human Resources, City of Edinburgh Council **	29	51
Clare Scott*	Chief Executive Officer, Lothian Pension Fund	221	270
Bruce Miller	Chief Investment Officer, Lothian Pension Fund	267	334
Struan Fairbairn	Chief Risk Officer, Lothian Pension Fund	46	64
John Burns	Chief Finance Officer, Lothian Pension Fund	538	624
Esmond Hamilton	Financial Controller, Lothian Pension Fund	200	238

* Also disclosed in the financial statements of the City of Edinburgh Council.

** Appears due to being a Director in LPFE Ltd

Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2017 £000	31 March 2018 £000
Short-term employee benefits	380	415
Post-employment benefits - employer pension contributions	78	85

Key management personnel employed by LPFE, had accrued pensions totalling £97,456 (1 April 2017: £81,825) and lump sums totalling £110,889 (1 April 2017: £100,185) at the end of the period.

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 & LPFI Limited- loan facility

LPFE & LPFI Limited are wholly owned by the City of Edinburgh Council as administrating authority of Lothian Pension Fund and have entered into a shareholder agreement with the Council to address governance matters. The companies have 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 companies return any cash not immediately required and this can result in short periods when the companies have returned more cash than has been drawn. On such days the loan interest is negative, reducing the amount of interest payable.

Interest payable by LPFE Limited during the period was £1,380 of which £198 was due at the year end and for LPFI Limited interest payable was £168 of which there was none due at year end. At 31 March 2018, the balance on the loan facility was £10k due to LPFE Limited and a zero balance from LPFI Limited.

Notes to the Accounts

28 Related parties (cont)

LPFE Limited - staffing services

Staffing services are provided to Lothian Pension Fund for the purposes of administering the Funds under an 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 allows for the provision of staffing services to LPFI Limited. During the year to 31 March 2018, the Fund was invoiced £1,450k (2017 £1,073k) for the services of LPFE Limited staff, £288k (2017 £105k) of this remained payable at year end.

29a Consolidated Lothian Pension Fund Group - LPFE Limited & LPFI Limited - deferred tax

Movement in deferred tax asset (Non-current asset)	LPF Group	LPF Group
	2016/17	2017/18
	£000	£000
At 1 April 2017	36	117
Credit for year to Fund Account	81	175
At 31 March 2018	117	292

Elements of closing deferred tax asset

Elements of closing deferred tax asset	LPF Group	LPF Group
	31 March 2017	31 March 2018
	£000	£000
Pension liability	117	292
	117	292

29b Shares in group companies - LPFE Limited & LPFI Limited

	31 March 2017	31 March 2018
	£	£
Allotted, called up and fully paid Ordinary shares of £1 each - LPFE Limited*	1	1
Allotted, called up and fully paid Ordinary shares of £1 each - LPFI Limited	50,000	60,000
	50,001	60,001

*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.

30 Retirement benefits obligation - group

The retirement benefit obligation described in this note relates only to the employees of LPFE Limited. This is because obligation in respect of the staff employed by the City of Edinburgh Council is accounted for 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. At that time, 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.

Notes to the Accounts

30 Retirement benefits obligation - group (cont)

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	% of total	Fair value at 31	% of total
		March 2017	31 March	March 2018	31 March
		£000	2017	£000	2018
			%		%
Equity securities:	Consumer	425	15.0	1,185	14.0
	Manufacturing	429	15.2	1,288	15.0
	Energy and utilities	210	7.4	541	6.0
	Financial institutions	197	7.0	769	9.0
	Health and care	166	5.9	424	5.0
	Information technology	140	4.9	528	6.0
	Other	195	6.9	543	6.0
Debt securities:	Corporate Bonds	-	0.0	169	2.0
	UK Government	284	10.0	839	10.0
	Other	6	0.2	-	0.0
Private equity:	All	91	3.2	158	2.0
Real property	UK property	191	6.7	556	6.0
	Overseas property	-	0.0	9	0.0
Investment funds and unit trusts:	Equities	-	0.0	83	1.0
	Commodities	8	0.3	-	0.0
	Bonds	42	1.5	-	0.0
	Infrastructure	253	8.9	1,025	12.0
	Other	60	2.1	20	0.0
Derivatives:	Foreign Exchange	-	0.0	4	0.0
Cash and cash equivalents:	All	131	4.8	511	6.0
		2,828	100.0	8,652	100.0

Amounts recognised in the Net Assets Statement

	LPF	LPF
	Group	Group
	31 March	31 March
	2017	2018
	£000	£000
Fair value of Fund assets	2,828	8,652
Present value of Fund liabilities	(3,513)	(10,367)
	(685)	(1,715)

Notes to the Accounts

30 Retirement benefits obligation - group (cont)

Movement in the defined benefit obligation during the period

	LPF Group 2016/17 £000	LPF Group 2017/18 £000
Brought forward	2,277	3,513
Current service cost	172	336
Interest cost on obligation	86	131
Fund participants contributions	76	7,175
Benefits paid	-	-
Actuarial losses arising from changes in financial assumptions	902	(788)
Actuarial losses arising from changes in demographic assumptions	-	-
Other actuarial losses	-	-
Balance at year end	3,513	10,367

Movement in the fair value of Fund assets during the period

	LPF Group 2016/17 £000	LPF Group 2017/18 £000
Brought forward	2,097	2,828
Benefits paid	-	-
Interest income on Fund assets	80	104
Contributions by employer	156	204
Contributions by member	76	91
Contributions in respect of unfunded benefits	-	-
Unfunded benefits paid	-	(4)
Effect of business combinations and disposals	-	5,711
Return on assets excluding amounts included in net interest	419	(282)
Balance at year end	2,828	8,652

Amounts recognised in the Fund Account

	LPF Group 2016/17 £000	LPF Group 2017/18 £000
Interest received on Fund assets	(80)	(104)
Interest cost on Fund liabilities	86	131
Current service costs	172	336
Transfer of opening retirement benefit obligation on 1 May 2015	-	-
Actuarial gains due to re-measurement of the defined benefit obligation	902	(788)
Return on Fund assets (excluding interest above)	(419)	282
Net cost recognised in Fund account	661	(143)
Less - cash flows	(156)	(204)
Increase in retirement benefit obligations	505	(347)

Notes to the Accounts

30 Retirement benefits obligation - group (cont)

Principal actuarial assumptions used in this valuation

	31 March 2017	31 March 2018
	% p.a.	% p.a.
Inflation / pensions increase rate	2.4	2.3
Salary increase rate	4.4	4.0
Discount rate	2.7	2.7

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.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 March 2017		31 March 2018	
	Males	Females	Males	Females
Current pensioners	22.1 years	23.7 years	21.7 years	24.3 years
Future pensioners	24.2 years	26.3 years	24.7 years	27.5 years

Expected employer contributions to the defined benefit plan for the year ended 31 March 2019 are £415,000, based on a pensionable payroll cost of £1,742,000.

31 Contractual commitments

Investment 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 2017	31 March 2018
	£000	£000
Outstanding investment commitments	235,565	202,723
	160,891	202,723

Notes to the Accounts

31 Contractual commitments (cont)

Office accommodation - 144 Morrison Street, Edinburgh

The Investment and Pensions Service is committed to making the following future payments.

	31 March 2017	31 March 2018
	£000	£000
Within one year	115	115
Between one and five years	345	345
After five years	877	762
	1,337	1,222
Recognised as an expense during the year	92	92

The above expense has been allocated across the three Funds, Lothian Pension Fund's share is £85.1k.

32 Contingent assets and liabilities

Contribution refunds

At 31st March 2018, Lothian Pension Fund had £894k in unclaimed refunds due to members.

Employer Cessations

As stated in note 24, "In accordance with the Funding Strategy Statement and in recognition of severe affordability constraints facing the charitable sector, "Funding Agreements" have been put in place with certain former employers to repay cessation valuation debt"... In exceptional circumstances, this includes "repayment of less than the cessation debt in order to avoid employer insolvency, with an appropriate agreement which allows the Fund to revisit the repayment of the remaining debt at a future date (i.e. the debt would be a contingent liability and hence not recognised on an employer's balance sheet); and seeking, where appropriate, suitable "anti-embarrassment" provisions in legal agreement covering future increase in employer asset values". At 31 March 2018, such contingent assets of the Fund totalled £1,635k.

EU Tax claims & income recovery

The Fund participates in various claims to recover withheld investment income. EU tax claims relate to the recovery of tax deducted from dividend payments prior to receipt or payable tax credits thereon. The claims can be divided into three main types – "Manninen" / Foreign Income Dividends (Fids), "Fokus Bank" and Manufactured Dividends. Given the high level of uncertainty as to the eventual success of such claims from EU tax authorities, no accrual of income is made in the financial statements. The value of these outstanding claims is approximately £9.8m. To date, the amount of tax recovered exceeds the cost of pursuing claims. Legal costs are shared across a pool of claimants and the Fund has the right to cease participation without incurring further costs. An annual progress report is provided to Pensions Audit Sub-Committee.

33 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 £4.9k. This decreased the impairment to £27.7k at the year end.

Lothian Pension Fund

Actuarial Statement for 2017/18

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 (FSS), dated March 2018. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall 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 achieve these objectives.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £6,598 million, were sufficient to meet 98% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2017 valuation was £145 million. For the avoidance of doubt, these results are based on the assumptions that apply to the Fund's Primary investment strategy.

Each employer had contribution requirements set at the valuation with the aim of achieving full funding within a given time horizon. Contribution rates were set using one of two approaches depending on each employer's circumstances:

- Certain low risk and open employers participate in a contribution stability mechanism which limits annual changes in contribution rates. The mechanism is tested at each valuation to make sure it achieves the desired funding objectives.
- Other employers pay the contributions required to cover the cost of future service benefits and to recover the deficit/surplus identified as at 31 March 2017 over a given time period.

Individual employers' contributions for the period 1 April 2018 to 31 March 2021 were set in accordance with the Fund's funding policy as set out in its FSS, which includes further detail on the approaches mentioned above.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2017 valuation report.

Lothian Pension Fund

Actuarial Statement for 2017/18

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 and inflation 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.

The key financial assumptions adopted under the Primary investment strategy for the 2017 valuation were as follows:

Financial assumptions	31 March 2017 % p.a.
Discount rate	5.0%
Pay increases*	5.0%
Price inflation/Pension increases	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners *	24.7 years	27.5 years

*Aged 45 as at 31 March 2017

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2017

Asset returns under the Primary investment strategy over the period have been lower than the valuation discount rate but real bond yields at 31 March 2018 are at a similar level to 31 March 2017. Combining the impact of these may mean that the overall funding level at 31 March 2018 has fallen slightly since the last formal valuation.

The next actuarial valuation will be carried out as at 31 March 2020. 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

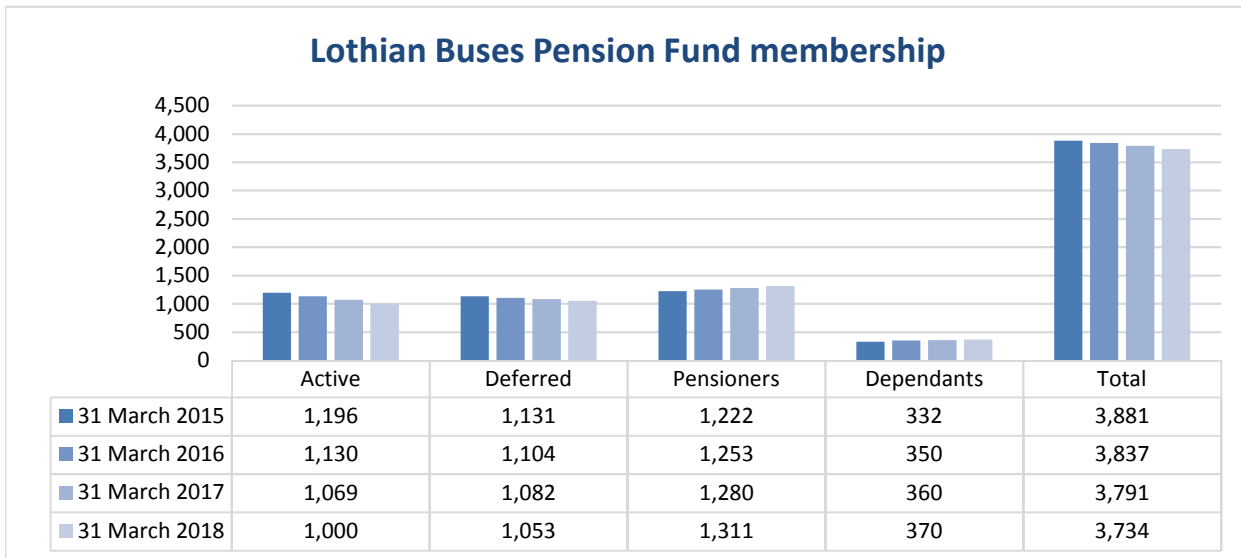
28 April 2018

List of active employers at 31 March 2018

Scheduled Bodies	
City of Edinburgh Council (The)	Scottish Fire and Rescue Service
East Lothian Council	Scottish Police Authority
Edinburgh College	Scottish Water
Heriot-Watt University	SESTRAN
Lothian Valuation Joint Board	Visit Scotland
Midlothian Council	West Lothian College
Scotland's Rural College (SRUC)	West Lothian Council

Admitted Bodies	
Amey Services	Homeless Action Scotland
Audit Scotland	Homes for Life Housing Partnership
Barony Housing Association Ltd	HWU Students Association
Baxter Storey	Improvement Service (The)
Bellrock Property and Facilities Management	Into Work
Canongate Youth Project	ISS UK Ltd
Capital City Partnership	LPFE Ltd
Centre for Moving Image (The)	Melville Housing Association
CGI UK Ltd	Mitie PFI
Children's Hearing Scotland	Morrison Facilities Services Ltd
Children's Hospice Association Scotland	Museums Galleries Scotland
Citadel Youth Centre	Newbattle Abbey College
Compass Chartwell	North Edinburgh Dementia Care
Convention of Scottish Local Authorities	NSL Ltd
Dacoll Limited	Open Door Accommodation Project
Dean Orphanage and Cauvin's Trust	Penumbra
Donaldson's Trust	Pilton Equalities Project
EDI Group Ltd	Queen Margaret University
Edinburgh Business School	Royal Edinburgh Military Tattoo
Edinburgh Cyrenians Trust	Royal Society of Edinburgh
Edinburgh Development Group	Scotland's Learning Partnership
Edinburgh International Festival Society	Scottish Adoption Agency
Edinburgh Leisure	Scottish Futures Trust
Edinburgh Napier University	Scottish Legal Complaints Commission
Edinburgh World Heritage Trust	Scottish Schools Education Research Centre (SSERC)
ELCAP	Skanska UK
Enjoy East Lothian	St Andrew's Children's Society Limited
Family Advice and Information Resource	St Columba's Hospice
Family and Community Development West Lothian	Stepping Out Project
First Step	Waverley Care
Forth and Oban Ltd	University of Edinburgh (Edinburgh College of Art)
Four Square (Scotland)	Weslo Housing Management
Freespace Housing Association	West Granton Community Trust
Granton Information Centre	West Lothian Leisure
Handicabs (Lothian) Ltd	Wester Hailes Land and Property Trust
Hanover (Scotland) Housing Association	Young Scot Enterprise
Health in Mind	Youthlink Scotland

Lothian Buses Pension Fund



Investment Strategy

The Fund adopts a long-term investment strategy, aiming to maximise the investment return within reasonable and considered risk parameters and hence minimise the cost to the employer. A new Investment Strategy 2016-21 was agreed by Committee in March 2016. This aims to better align the risk assets held by the Fund with its maturing liability profile by reducing equity exposure to 40%, increasing the index-linked asset allocation to 20%, and increasing investments in real (18%) and fixed income (22%) assets to 40% in a phased manner over the 5-year time horizon.

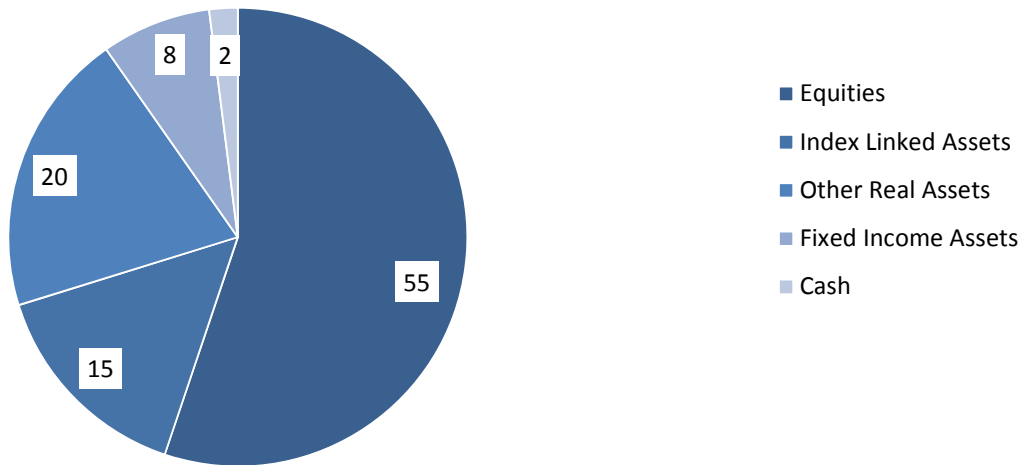
A decision to merge Lothian Buses Pension Fund with the Lothian Pension Fund was made by the Pensions Committee in March 2018 subject to the satisfactory completion of a revised admission agreement and shareholders' guarantees. Progress is being made on putting in place the agreement and guarantees. The merger is expected to be enacted in the coming months, facilitated by the new employer unitisation accounting system and with the creation of a bespoke strategy for Lothian Buses in the main Lothian Pension Fund.

The implementation of the strategy progressed over the financial year 2017/18 as investment opportunities in real assets (largely infrastructure) and fixed income assets became available and as research on opportunities was completed. Implementation progress must also consider the fact that the actual asset allocation changes as markets fluctuate

The changes to the interim strategy allocations and actual allocations over the financial year 2017/18 are shown in the table below:

	Strategic Allocation 31/03/2018 %	Long term Strategy 2016 - 2021 %
Equities	55.5	40.0
Index Linked Assets	16.0	20.0
Other Real Assets	18.0	18.0
Fixed Income Assets	10.5	22.0
Cash	-	-
Total	100.0	100.0

Actual Asset Allocation (%) at 31 March 2018



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.

Overall, the Fund produced a return of 4.9% over the year, ahead of the benchmark return of 3.5%. Over five years, the Fund returned 10.9% per annum, ahead of benchmark by 1.4% per annum.

The Fund investment return of 4.9% was dragged down by the impact of Sterling strength on overseas investments (global equities returned 15% in US\$ terms but only 2% when converted to Sterling). The return exceeded that of the strategy allocation benchmark over the last year, due mainly to the strong performance of the Baillie Gifford Global Equity portfolio. The Fund continues to meet its main objective of achieving a return consistent with that of its strategic allocation over long-term economic cycles.

The Fund continues to meet its main objective of achieving a return consistent with that of its strategic allocation over long-term economic cycles. The five-year return was 10.9% per annum and the 10-year return was 10.1% per annum (compared to benchmark returns of 9.5% and 8.6% respectively).

Annualised returns to 31 March 2018 (% per year)	1 year	5 year	10 years
Lothian Buses Pension Fund	4.9	10.9	10.1
Benchmark	3.5	9.4	8.6
Actuarial Valuation Assumptions *	3.2	4.8	5.4
Retail Price Index (RPI)	3.3	2.3	2.8
Consumer Price Index (CPI)	2.4	1.4	2.3
National Average Earnings	2.4	2.6	1.6

*estimate

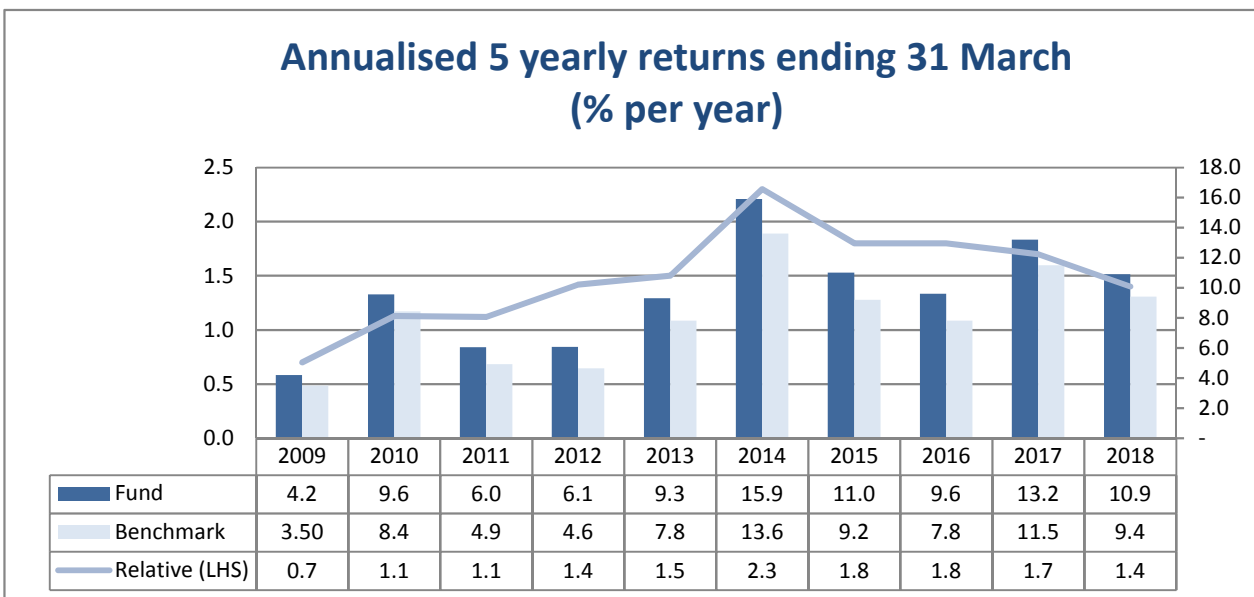
The Fund continues to meet its main objective of achieving a return consistent with that of its strategic allocation over long-term economic cycles. The five-year return was 10.9% per annum and the 10-year return was 10.1% per annum (compared to benchmark returns of 9.5% and 8.6% respectively).

The Fund's shorter-term objective, to perform better than the strategic allocation if markets fall significantly, is yet to be tested. The Fund's return (+4.9%) over the year was ahead of the benchmark return (+3.6%) due to the strong performance of the Baillie Gifford Global Equity portfolio.

The Fund's equity investments delivered more muted, though still positive, returns (+5.1%) in comparison to last year's exceptionally strong levels. However, the return was very strong compared to the benchmark return (+2.4%). Baillie Gifford's Global Alpha portfolio in particular contributed strongly, returning 13.2% (much better than benchmark), while the much smaller Private Equity portfolio rose 5.6% (also better than benchmark). The performance of the internally-managed Global High Yield Equity portfolio tempered this somewhat, returning -2.1% over the year as high yielding, "safe haven" stocks lagged the wider market. As these stocks are lower risk than the benchmark, this is consistent with expectations.

The Fund's internally-managed index-linked assets produced a modest 1.1% gain over the year, in line with the benchmark return as expected as the portfolio is passively managed.

The chart below shows the rolling 5-year performance of the Fund against its strategic benchmark over the last 10 years. The Fund has consistently outperformed its benchmark over rolling 5-year periods, with the average excess return over the last 10 years being 1.5% pa.



Lothian Buses Pension Fund

Fund Account for year ended 31 March 2018

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the Local Government Pension Scheme. Included is the income generated from employers' and employees' contributions and investment income, as well as the cost of providing benefits and administration of the Fund.

2016/17 £000		Note	2017/18 £000
	Income		
7,731	Contributions from employer	3	7,581
2,060	Contributions from members		1,988
10	Transfers from other schemes		13
9,801			9,582
	Less: expenditure		
8,425	Pension payments including increases		8,755
3,277	Lump sum retirement payments		2,584
295	Lump sum death benefits		283
9	Refunds to members leaving service		4
418	Transfers to other schemes		657
98	Administrative expenses	4b	99
12,522			12,382
(2,721)	Net withdrawals from dealing with members		(2,800)
	Returns on investments		
7,641	Investment income	5	8,079
90,672	Change in market value of investments	7, 11b	17,749
(1,880)	Investment management expenses	4c	(2,424)
96,433	Net returns on investments		23,404
93,712	Net increase in the Fund during the year		20,604
394,431	Net assets of the Fund at 1 April 2017		488,143
488,143	Net assets of the Fund at 31 March 2018		508,747

Lothian Buses Pension Fund

Net Assets Statement as at 31 March 2018

This statement provides a breakdown of type and value of all net assets at the year end.

31 March 2017 £000		Note	31 March 2018 £000
	Investment Assets		
73,313	Bonds	6	74,321
273,603	Equities	6	277,290
122,566	Pooled investment vehicles	6, 19	134,466
14,074	Cash Deposits	12	18,691
1,398	Other investment assets		1,614
484,954			506,382
	Investment Liabilities		
(18)	Other investment assets		(250)
(18)			(250)
484,936	Net investment assets	6, 7, 8, 9, 11	506,132
	Current assets		
385	The City of Edinburgh Council	18	299
2,440	Cash balances	12, 18	1,809
744	Debtors	15	842
3,569			2,950
	Current liabilities		
(362)	Creditors	16	(335)
(362)			(335)
3,207	Net current assets		2,615
488,143	Net assets of the Fund at 31 March 2018	11	508,747

The unaudited accounts were issued on 27 June 2018 and the audited accounts were authorised for issue on XX September 2018.

JOHN BURNS FCMA CGMA

Chief Finance Officer, Lothian Pension Fund

27 June 2018

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 114.

2 Events after the Reporting Date

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

At its meeting on 26 March 2018, the Pensions Committee approved the merger of the assets and liabilities of the Lothian Buses Pension Fund into the Lothian Pension Fund at the earliest suitable date (to be determined by the Executive Director of Resources), subject to the satisfactory completion of a revised admission agreement and shareholder guarantee.

3 Contributions from employer

By category	2016/17 £000	2017/18 £000
Normal (ongoing contributions)	7,516	7,581
Deficit contribution	-	-
Strain costs and augmentation contributions	215	-
	7,731	7,581

The Lothian Buses Pension Fund is a single employer pension fund for employees of Lothian Buses Limited. The Lothian Buses Pension Fund was set up in 1986 under the Local Government Superannuation (Funds) (Scotland) Regulations 1986 (SSI 115/1986).

The employer contribution rate was 24.1% for 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.

4a Total management expenses

In accordance with CIPFA, the analysis below looks at the combined administration and investment management expenses in notes 4a and b and splits out the costs to include a third category covering oversight and governance expenditure. Administration costs such as Actuarial fees and Investment Management expenses such as investment consultancy would instead be shown in the Oversight and governance costs category.

	2016/17 £000	2017/18 £000
Administrative costs	78	78
Investment management expenses*	1,814	2,323
Oversight and governance costs	86	122
	1,978	2,523

* as per note 4c, includes £325k (2016/17 £3325k) in costs above CIPFA guidance

Notes to the Financial Statements

4b Administrative expenses

	2016/17 £000	2017/18 £000
Employee Costs	55	55
The City of Edinburgh Council - other support costs	6	-
System costs	13	14
Actuarial fees	9	11
Internal and External audit fees	2	3
Legal fees	-	-
Printing and postage	4	5
Depreciation	3	3
Office costs	5	5
Sundry costs less sundry income	1	3
	98	99

LPFE Ltd, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the three pension Funds. The Service receives an allocation of the overheads of the Council. In turn the Service 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.

4c Investment management expenses

	2016/17 £000	2017/18 £000
<u>External management fees -</u>		
invoiced	616	661
deducted from capital (direct investment)	694	1,135
deducted from capital (indirect investment)	325	338
Securities lending fees	20	18
Transaction costs	33	59
Employee costs	82	96
Custody fees	33	28
Engagement and voting fees	6	7
Performance measurement fees	19	23
Consultancy fees	5	3
System costs	18	23
Legal fees	9	10
The City of Edinburgh Council - other support costs	8	-
Depreciation	2	1
Office costs	6	6
Sundry costs less sundry income	4	16
	1,880	2,424

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 7 - Reconciliation of movements in investments and derivatives).

The external investment management fees above include £0.5m in respect of performance-related fees (2016/17 £0.3m).

Notes to the Financial Statements

4c Investment management expenses (cont)

It should be noted that Lothian Buses Pension Fund's disclosure on investment management fees goes further than CIPFA's LGPS Management Cost revised guidance on cost transparency which came into effect on 1st April 2016. Consistent with recent 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 25. This further disclosure highlights an extra £338k in costs (2016/17 £325k)

5 Investment income

	2016/17 £000	2017/18 £000
Income from bonds	186	261
Dividends from equities	7,026	6,996
Income from pooled investment vehicles	452	1,077
Interest on cash deposits	18	33
Stock lending and sundries	103	92
	7,785	8,459
Irrecoverable withholding tax	(144)	(380)
	7,641	8,079

Included within the dividend from equities income for the year is cross border withholding tax yet to be received. These reclaims have a high certainty of success and are completed and managed by the Fund's custodian Northern Trust. For the period of 2017/18 £245k of the stated income relates to tax yet to be received. At the 31st March 2018 £525k (including prior periods) of investment income receivable related to cross border withholding tax. The Fund monitors these claims to ensure its optimum tax efficiency and provides an annual progress report to the Pensions Audit Sub-Committee.

6 Analysis of investments

	Region	31 March 2017 £000	31 March 2018 £000
Investment Assets			
Bonds			
Public sector index linked gilts quoted	UK	73,313	74,321
		73,313	74,321
Equities			
Quoted	UK	33,935	28,853
Quoted	Overseas	239,668	248,437
		273,603	277,290
Pooled investment vehicles			
Managed funds - property	UK	38,146	41,487
Managed funds - other bonds	UK	30,100	30,490
Timber funds - unquoted	Overseas	8,361	6,838
Infrastructure - unquoted	UK	26,636	28,850
Infrastructure - unquoted	Overseas	12,607	16,774
Private debt funds - unquoted	UK	2,266	2,881
Private debt funds - unquoted	Overseas	4,450	7,146
		122,566	134,466

Notes to the Financial Statements

7 Reconciliation of movement in investments and derivatives

	Market value at 31 March 2017 £000	Purchases at cost & derivative payments £000	Sales & derivative receipts £000	Change in market value £000	Market value at 31 March 2018 £000
Bonds	73,313	4,043	(3,613)	578	74,321
Equities	273,603	28,779	(32,933)	7,841	277,290
Pooled investment vehicles	122,566	5,736	(3,764)	9,928	134,466
Derivatives - fwd foreign exchange	-	15	(11)	(4)	-
	469,482	38,573	(40,321)	18,343	486,077
Other financial assets / (liabilities)					
Cash deposits*	14,074			(605)	18,691
Broker balances*	(18)			11	20
Investment income due*	1,398				1,344
	15,454			(594)	20,055
Net financial assets	484,936			17,749	506,132

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 2016 £000	Purchases at cost & derivative payments £000	Sales & derivative receipts £000	Change in market value £000	Market value at 31 March 2017 £000
Bonds	19,661	87,284	(49,714)	16,082	73,313
Equities	236,417	15,473	(41,164)	62,877	273,603
Pooled investment vehicles	121,923	18,969	(29,504)	11,178	122,566
Derivatives - fwd foreign exchange	(32)	604	(265)	(307)	-
Derivatives - futures	-	3	(692)	689	-
	377,969	122,333	(121,339)	90,519	469,482
Other financial assets / (liabilities)					
Cash deposits*	11,811			69	14,074
Broker balances*	(73)			84	(18)
Investment income due*	1,081			-	1,398
	12,819			153	15,454
Net financial assets	390,788			90,672	484,936

* As per CIPFA disclosures the change in market value intentionally does not balance opening/closing market values

Notes to the Financial Statements

8 Investment managers and mandates

Manager	Mandate	Market value	% of total	Market value	% of total
		at 31 March 2017 £000	31 March 2017 %	at 31 March 2018 £000	31 March 2018 %
Baillie Gifford	Global equities	124,570	25.7	141,217	27.9
In-house	Global high dividend	142,297	29.3	131,248	25.9
In-house	Private equity quoted	6,287	1.3	5,605	1.1
Total global equities		273,154	56.3	278,070	54.9
In-house	Index linked gilts	73,793	15.2	74,630	14.7
Total inflation linked assets		73,793	15.2	74,630	14.7
Baillie Gifford	Corporate bonds	30,100	6.2	30,490	6.0
In-house	Secured loans unquoted	6,716	1.4	10,027	2.0
Total fixed income assets		36,816	7.6	40,517	8.0
Standard Life	Property	38,146	7.9	41,487	8.2
In-house	Infrastructure unquoted	39,243	8.1	45,625	9.0
In-house	Infrastructure quoted	3,661	0.8	2,950	0.6
In-house	Timber unquoted	8,361	1.7	6,838	1.4
Total other real assets		89,411	18.5	96,900	18.5
In-house	Cash	11,762	2.4	16,015	3.2
Total cash and sundries		11,762	2.4	16,015	3.2
Net financial assets		484,936	100.0	506,132	100.0

9 Investments representing more than 5% of the net assets of the Fund

	Market value	% of net	Market value	% of net
	at 31 March 2017 £000	assets 31 March 2017	at 31 March 2018 £000	assets 31 March 2018
Standard Life Property Fund	38,146	7.9	41,487	8.2
Baillie Gifford Inv Grade Bond Fund	30,100	6.2	30,490	6.0

10 Securities lending

During the year Lothian Buses Pension Fund participated in a securities lending arrangement with the Northern Trust Company. As at 31 March 2018, £16.8m (2017 £17.4m) of securities were released to third parties. Collateral valued at 106.19% (2017 105.24%) of the market value of the securities on loan was held at that date.

Notes to the Financial Statements

11 Financial Instruments

11a 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 2017			31 March 2018		
	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
Financial assets						
Investment assets						
Bonds	73,313	-	-	74,321	-	-
Equities	273,603	-	-	277,290	-	-
Pooled investments	122,566	-	-	134,466	-	-
Cash	-	14,074	-	-	18,691	-
Other balances	-	1,398	-	-	1,614	-
	469,482	15,472	-	486,077	20,305	-
Other assets						
City of Edinburgh Council	-	385	-	-	299	-
Cash	-	2,440	-	-	1,809	-
Debtors	-	744	-	-	842	-
	-	3,569	-	-	2,950	-
Assets total	469,482	19,041	-	486,077	23,255	-
Financial liabilities						
Investment liabilities						
Other investment balances	-	-	(18)	-	-	(250)
	-	-	(18)	-	-	(250)
Other liabilities						
Creditors	-	-	(362)	-	-	(335)
Liabilities total	-	-	(380)	-	-	(585)
Total net assets	469,482	19,041	(380)	486,077	23,255	(585)
Total net financial assets			488,143			508,747

Notes to the Financial Statements

11b Net gains and losses on financial instruments

	2016/17 £000	2017/18 £000
Designated as fair value through fund account	90,519	18,343
Loans and receivables	153	(594)
Financial liabilities at amortised cost	-	-
Total	90,672	17,749

11c 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.

Notes to the Financial Statements

11c Valuation of financial instruments carried at fair value (cont)

	31 March 2018			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Designated as fair value through fund account	349,267	74,321	62,489	486,077
Loans and receivables	20,305	-	-	20,305
Total investments assets	369,572	74,321	62,489	506,382
Investment liabilities				
Designated as fair value through fund account	(250)	-	-	(250)
Total investment liabilities	(250)	-	-	(250)
Net Investment assets	369,322	74,321	62,489	506,132

	31 March 2017			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Designated as fair value through fund account	341,849	73,313	54,320	469,482
Loans and receivables	15,472	-	-	15,472
Total investments assets	357,321	73,313	54,320	484,954
Investment liabilities				
Designated as fair value through fund account	(18)	-	-	(18)
Total investment liabilities	(18)	-	-	(18)
Net Investment assets	357,303	73,313	54,320	484,936

11d Reconciliation of fair value measurements within level 3

Pooled investments	Market value at 31 March 2017	Level 3 transfers		Purchases at cost & derivative payments	Sales & derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31 March 2018
		in	out					
Infrastructure	39,243	-	-	7,026	(6,215)	4,050	1,520	45,624
Timber	8,361	-	-	-	(1,124)	(641)	242	6,838
Secured loans	6,716	-	-	4,018	(1,153)	429	17	10,027
	54,320	-	-	11,044	(8,492)	3,838	1,779	62,489

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

Notes to the Financial Statements

12 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.

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
- 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. Options are not used by the Fund.

Notes to the Financial Statements

12 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 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	10.0%
Corporate Bonds	5.6%
Index-Linked Gilts	11.0%
Infrastructure	12.0%
Property	13.0%
Cash	1.0%

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 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 2018 £000	% of fund %	Potential Change +/- %	Value on increase £000	Value on decrease £000
Equities - Developed Markets	272,465	55.1	20.5	328,320	216,610
Private Equity	5,605	1.1	30.0	7,287	3,924
Timber and Gold	6,838	1.4	18.0	8,069	5,607
Secured Loan	10,027	2.0	10.0	11,030	9,024
Corporate Bonds	30,490	6.0	5.6	32,185	28,795
Index-Linked Gilts	74,630	14.7	11.0	82,802	66,458
Infrastructure	48,574	9.6	12.0	54,403	42,745
Property	41,487	8.2	13.0	46,880	36,094
Cash and forward foreign exchange	16,016	3.2	1.0	16,174	15,858
Total [1]	506,132	100.0	16.0	587,150	425,114
Total [2]			12.6	569,766	442,498
Total [3]			12.6	570,062	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.

Notes to the Financial Statements

12 Nature and extent of risk arising from financial instruments (cont)

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.

Cash deposits

At 31 March 2018, cash deposits represented £17.8m, 3.5% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2018	Balances at 31 March 2017 £000	Balances at 31 March 2018 £000
Held for investment purposes			
Northern Trust Global Investment Limited - liquidity funds	Aaa-mf	3,270	2,496
Northern Trust Company - cash deposits	A2	9,882	15,269
The City of Edinburgh Council - treasury management	See below	922	926
Total investment cash		14,074	18,691
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	2,440	1,809
Total cash		16,514	20,500

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.

Notes to the Financial Statements

12 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
- (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.

	Moody's Credit Rating at 31 March 2018	Balances at 31 March 2017 £000	Balances at 31 March 2018 £000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	18	12
Standard Life Investments Sterling Liquidity Fund	Aaa-mf	-	406
Bank call accounts			
Bank of Scotland	Aa3	336	270
Royal Bank of Scotland	A3	5	10
Santander UK	Aa3	1	7
Barclays Bank	A1	-	-
Svenska Handelsbanken	Aa2	1	13
HSBC Bank PLC	Aa3	1	1
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa1	3,001	2,016
		3,363	2,735

[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 2018 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 2018, the Fund had no over-the-counter foreign currency derivatives.

Notes to the Financial Statements

12 Nature and extent of risk arising from financial instruments (cont)

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 88% (2017 89%)) of the Fund's investments could be converted to cash within three months in a normal trading environment.

13 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.

14 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 £463m (2017 £488m). This figure is used for statutory accounting purposes by Lothian Buses Pension Fund and complies with the requirements of IAS26.

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 2017	31 March 2018
	% p.a.	% p.a.
Inflation/pensions increase rate	2.4	2.4
Salary increase rate	4.4	4.1
Discount rate	2.6	2.7

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2016 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 2017		31 March 2018	
	Males	Females	Males	Females
Current pensioners	20.4 years	22.9 years	19.7 years	22.3 years
Future pensioners (assumed to be currently 45)	23.5 years	25.9 years	21.9 years	24.8 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

15 Debtors

	2016/17 £000	2017/18 £000
Contributions due - employer	581	664
Contributions due - members	153	173
Sundry debtors	10	5
	744	842

Analysis of debtors

	31 March 2017 £000	31 March 2018 £000
Administering Authority	1	1
Lothian Buses Limited	733	837
Other entities and individuals	10	4
	744	842

16 Creditors

	31 March 2017 £000	31 March 2018 £000
Benefits payable	201	149
Miscellaneous creditors and accrued expenses	161	186
	362	335

Analysis of creditors

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	-	11
Other entities and individuals	362	324
	362	335

17 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.

Total contributions during year	2016/17 £000	2017/18 £000
Standard Life	8	7
Prudential	70	76
	78	83

Total value at year end	31 March 2017 £000	31 March 2018 £000
Standard Life	155	145
Prudential	294	375
	449	520

Notes to the Financial Statements

18 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

LPFE Ltd, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the three pension Funds. The Service receives an allocation of the overheads of the Council, based on the amount of central services consumed. In turn, the Service 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 2017 £000	31 March 2018 £000
Year end balance of holding account	385	299
	385	299

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 2018, the fund had an average investment balance of £2.8m (2017 £3.0m). Interest earned was £10.5k (2017 £12.1k).

Year end balance on treasury management account	31 March 2017 £000	31 March 2018 £000
Held for investment purposes	922	926
Held for other purposes	2,440	1,809
	3,362	2,735

Scheme employer - Lothian Buses Limited

Lothian Buses Limited are (by definition) a related party to the scheme. The employer contributions to the Fund can be found in note 3 (page 75) of the notes to the Financial Statements.

Governance

As at 31 March 2018, all members of the Pensions Committee, with the exception of Richard Lamont, and all members of the Pensions Board, were members of the Lothian Pension Fund or Lothian Buses Pension Fund, with one member of the Pensions Board in receipt of pension benefits from Lothian 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.

Notes to the Financial Statements

18 Related party transactions (cont)

With effect from 1 May 2015, all the employees listed below, with the exception of the City of Edinburgh Council members of staff, 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 2017	Accrued CETV as at 31 March 2018
		£000	£000
Stephen Moir*	Executive Director of Resources, City of Edinburgh Council	-	22
Hugh Dunn*	Head of Finance, City of Edinburgh Council	1,251	949
Katy Miller*	Head of Human Resources, City of Edinburgh Council **	29	51
Clare Scott*	Chief Executive Officer, Lothian Pension Fund	221	270
Bruce Miller	Chief Investment Officer, Lothian Pension Fund	267	334
Struan Fairbairn	Chief Risk Officer, Lothian Pension Fund	46	64
John Burns	Chief Finance Officer, Lothian Pension Fund	538	624
Esmond Hamilton	Financial Controller, Lothian Pension Fund	200	238

* Also disclosed in the financial statements of the City of Edinburgh Council.

** Appears due to being a Director in LPFE Ltd

Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2017 £000	31 March 2018 £000
Short-term employee benefits	380	415
Post-employment benefits - employer pension contributions	78	85

Key management personnel employed by LPFE, had accrued pensions totalling £97,456 (1 April 2017: £81,825) and lump sums totalling £110,889 (1 April 2017: £100,185) at the end of the period.

Staff are either employed by City of Edinburgh Council or LPFE Limited, and their costs reimbursed by the Pension Funds. The Councillors, who are members of the Pensions Committee, are also remunerated by City of Edinburgh Council.

19 Contractual commitments

The Fund has commitments relating to outstanding call payments due on unquoted funds invested in private debt, timber and infrastructure. 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 2017 £000	31 March 2018 £000
Outstanding investment commitments	12,462	11,051
	12,462	11,051

Notes to the Financial Statements

20 Contingent assets and liabilities

At 31 March 2018 the Fund does not have any exposure to any contingent assets/liabilities.

21 Impairment losses

No impairment losses have been identified during the year.

Lothian Buses Pension Fund

Actuarial Statement for 2017/18

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 (FSS), dated March 2018. 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 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £488 million, were sufficient to meet 121% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2017 valuation was £84 million.

On the more prudent gilts basis, the Fund's assets at 31 March 2017 were sufficient to meet 89% of the liabilities accrued to that date. The resulting deficit at the 2017 valuation, on the gilts basis, was £59 million.

The required contributions for the period 1 April 2018 to 31 March 2021 were set at the 2017 valuation 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 2017 valuation report.

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 and inflation 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 2017/18

The key financial assumptions adopted for the 2017 valuation were as follows:

Financial assumptions	31 March 2017 % p.a.
Discount rate	3.2 %
Salary increase assumption	4.1%
Benefit increase assumption (CPI)	2.4%

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	19.7 years	22.3 years
Future Pensioners *	21.9 years	24.8 years

*Aged 45 as at 31 March 2017

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2017

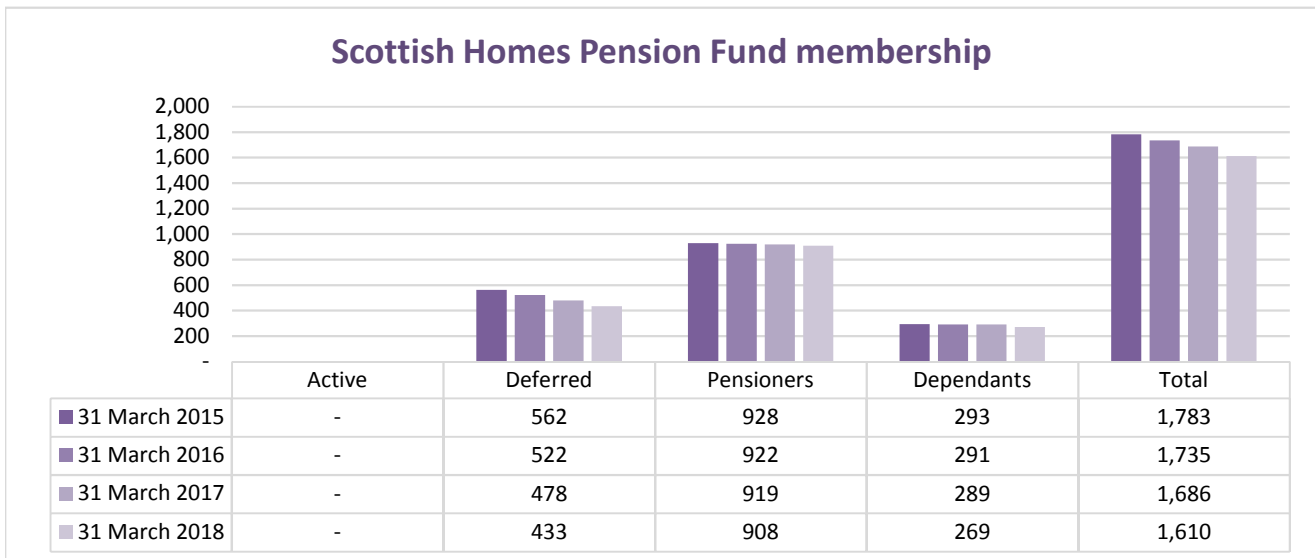
Asset returns over the period have been lower than the valuation discount rate and real bond yields at 31 March 2018 are at a similar level to 31 March 2017. Combining the impact of these may mean that the funding level at 31 March 2018 has fallen slightly since the last formal valuation.

The next actuarial valuation will be carried out as at 31 March 2020. 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

27 April 2018

Scottish Homes Pension Fund



Investment strategy

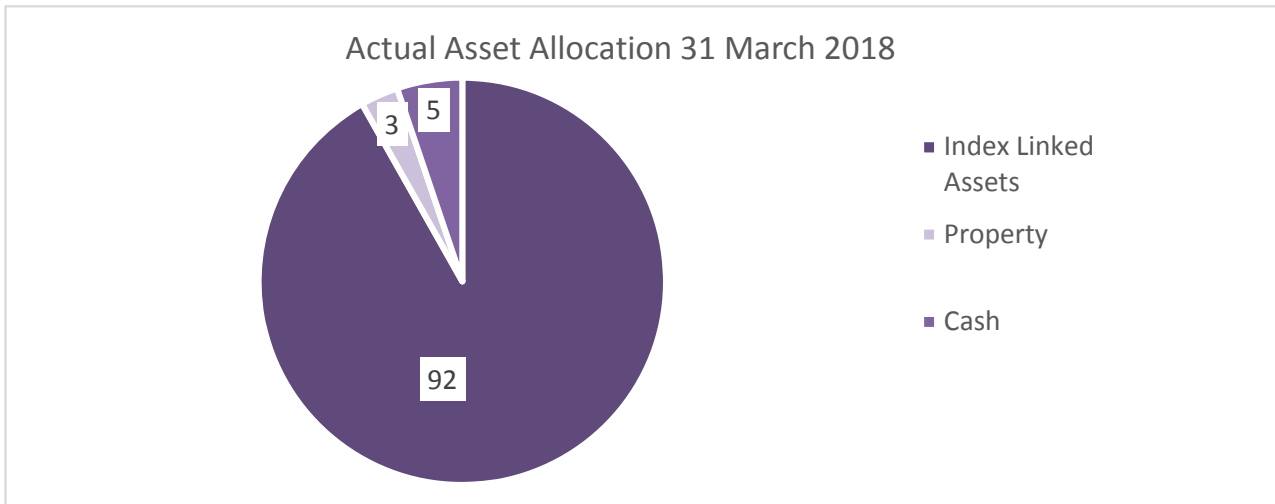
The funding level of the Scottish Homes Pension Fund at 31 March 2017 was 104.7%, an increase from 88.8% at the 2014 valuation.

The Fund's actuary monitors the intra-valuation fluctuations in the funding level using a system that reflects movements in interest rates and asset markets. Over the year to 2018, these fluctuations have been small as the mix of assets owned by the Fund are mostly index-linked gilts, which move proportionately with liability values.

	Strategic Allocation 31 March 2017 %	Strategic Allocation 31 March 2018 %
Equities	17.5	-
Bonds	77.5	100.0
Property	5.0	-
Cash	-	-
Total	100.0	100.0

The initial changes to the strategy allocation were triggered by movements in interest rates and asset prices that affected the actuary's funding level estimate. However, the final change increasing Bonds to 100% was prompted by the results of the triennial Actuarial Valuation at 31 March 2017, which indicated that the funding level was higher than previously estimated. This was partly because the actuary made some revisions to the financial and demographic assumptions to reflect actual experience over the intervening three years.

The Fund's Equity and Bond portfolios were managed by the internal team over the last year. The Property portfolio was managed by Schroder in a pooled fund of UK commercial real estate. Over the year, the Equity allocation was invested in a portfolio of shares of global companies that generate robust and growing dividends. The Bond allocation was invested in a portfolio of UK index-linked gilts designed to match the liability payments of the Fund as closely as possible.



Investment performance

The objectives of the Fund over the past year, were:

- 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 benchmark comprises global equity, index-linked gilt and property indices. Over 2017/18, these returned +2.4%, -0.2% and +11.3% respectively.

The Fund's annualised performance over the year and longer-term periods is shown in the table below.

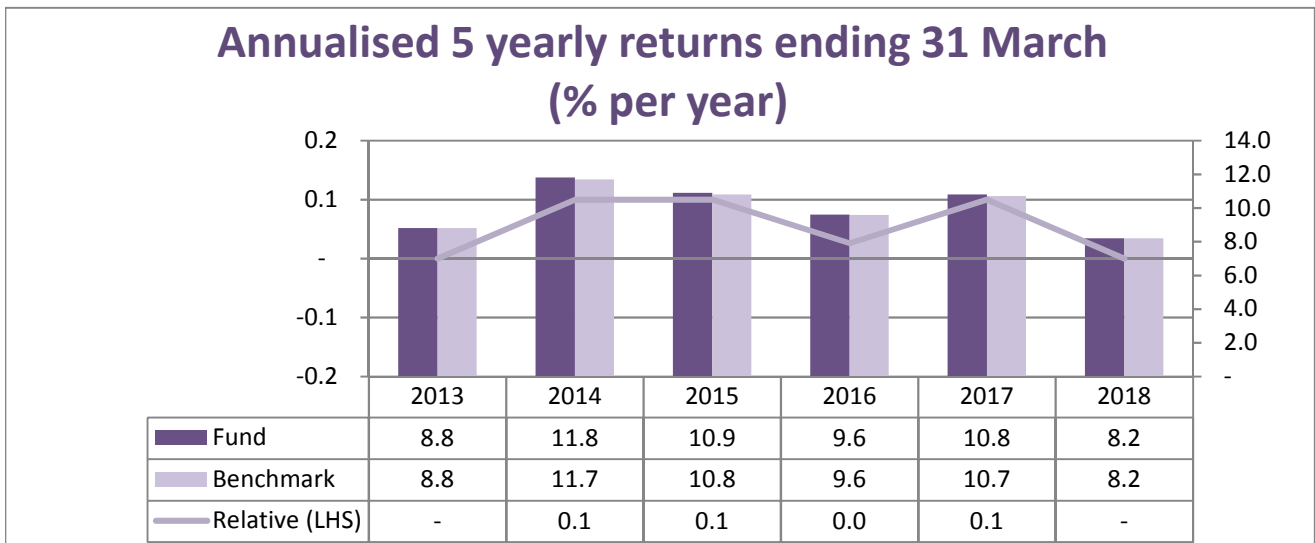
Annualised returns to 31 March 2018 (% per year)	1 year	5 years	10 years
Scottish Homes Pension Fund	0.3	8.2	8.5
Benchmark	0.7	8.2	8.5
Actuarial Valuation Assumptions *	1.7	3.2	3.8
Retail Price Index (RPI)	3.3	2.3	2.8
Consumer Price Index (CPI)	2.4	1.4	2.3
National Average Earnings	2.4	2.6	1.6

* estimated

The Fund has performed in line with its strategic allocation (benchmark) over the long run. The difference between the Fund return and the benchmark over the last year reflects the fact that the equity allocation was invested in a portfolio of low risk shares that lagged the higher risk benchmark. This equity portfolio was funded during 2016/17 to generate higher income with which to pay pensions, following analysis of the Fund's cash flow requirements. Over 2017/18, it generated a significantly higher income yield (3.8%) than the benchmark (2.5%).

Now that the Fund has achieved full funding faster than expected and the Fund is fully invested in index-linked gilts to minimise funding level risk, it is appropriate to change the investment objectives.

Annualised 5 yearly returns ending 31 March (% per year)



Scottish Homes Pension Fund

Fund Account for year ended 31 March 2018

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the Local Government Pension Scheme. Included is the income generated from investment dealings and the Scottish Government's annual contributions, as well as the cost of providing benefits and administration of the Fund.

2016/17		Note	2017/18
£000			£000
	Income		
675	Contributions from the Scottish Government	3	675
-	Transfers from other schemes		-
675			675
	Less: expenditure		
6,789	Pension payments including increases		6,666
563	Lump sum retirement payments		767
-	Lump sum death benefits		4
120	Transfers to other schemes	4	47
68	Administrative expenses	5b	69
7,540			7,553
(6,865)	Net withdrawals from dealing with members		(6,878)
	Returns on investments		
877	Investment income	6	2,474
26,569	Change in market value of investments	7, 10b	(1,615)
(212)	Investment management expenses	5c	(165)
27,234	Net returns on investments		694
20,369	Net increase/(decrease) in the Fund during the year		(6,184)
150,275	Net assets of the Fund at 1 April 2017		170,644
170,644	Net assets of the Fund at 31 March 2018	10	164,460

Scottish Homes Pension Fund

Net Assets Statement as at 31 March 2018

This statement provides a breakdown of type and value of all net assets at the year end.

31 March 2017 £000	Note	31 March 2018 £000
Investment Assets		
127,970	Bonds	148,064
4,450	Equities - UK	-
23,771	- Overseas	-
7,998	Pooled investment vehicles - UK property	-
3,602	Cash Deposits	9,094
459	Other investment assets	4,904
160,252		162,062
Investment Liabilities		
-	Other investment liabilities	-
-		-
160,252	Net investment assets	162,062
	8	
Current assets		
146	The City of Edinburgh Council	194
2,232	Cash balances	2,240
31	Debtors	12
2,409		2,446
Current liabilities		
(15)	Creditors	(48)
(15)		(48)
2,394	Net current assets	2,398
162,646	Net assets of the Fund at 31 March 2018	164,460
	10	

JOHN BURNS FCMA CGMA

Chief Finance Officer, Lothian Pension Fund

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 114.

2 Events after the Reporting Date

There have been no events since 31 March 2018, and up to the date when these Financial Statements were authorised, that require any adjustments to these Financial Statements.

3 Contributions from the Scottish Government

	2016/17 £000	2017/18 £000
Deficit funding	575	575
Administration expenses	100	100
	675	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. After 31 March 2017 actuarial valuation Scottish Government will not provide deficit funding for the period April 2018 to March 2021 but have agreed to pay £70,000 every year towards the administration of the Fund.

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

	2016/17 £000	2017/18 £000
Group transfers	-	-
Individual transfers	120	47
	120	47

5a Total Management expenses

	2016/17 £000	2017/18 £000
Administrative costs	38	35
Investment management expenses	149	107
Oversight and governance costs	93	92
	280	234

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 5b and c and splits out the costs to include a third heading covering oversight and governance expenditure.

Notes to the Financial Statements

5b Administrative expenses

	2016/17 £000	2017/18 £000
Employee costs	26	24
The City of Edinburgh Council - other support costs	3	-
System costs	7	8
Actuarial fees	24	30
External audit fees	1	1
Printing and postage	2	2
Depreciation	1	1
Office costs	3	2
Sundry costs less sundry income	1	1
	68	69

LPFE Ltd, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer 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

	2016/17 £000	2017/18 £000
External management fees - invoiced	50	-
External management fees - deducted from capital (direct)	55	54
External management fees - deducted from capital (indirect)	-	-
Transaction costs	40	30
Employee costs	29	31
Custody fees	14	7
Engagement and voting fees	2	2
Performance measurement fees	5	10
Consultancy fees	2	16
System costs	6	7
Legal fees	3	1
The City of Edinburgh Council - other support costs	3	-
Office costs	2	2
Sundry costs less sundry income	1	5
	212	165

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 7 - Reconciliation of movements in investments).

The Fund has not incurred any performance-related investment management fees in 2017/18 or 2016/17.

Notes to the Financial Statements

6 Investment income	2016/17	2017/18
	£000	£000
Income from fixed interest securities	536	1,449
Dividends from equities	62	799
Income from pooled investments - property	265	270
Interest on cash deposits and sundries	16	29
	879	2,547
Irrecoverable withholding tax	(2)	(73)
	877	2,474

7 Reconciliation of movement in investments	Market value at 31 March 2017	Purchases at cost	Sales & proceeds	Change in market value	Market value at 31 March 2018
	£000	£000	£000	£000	£000
Bonds	127,970	33,345	(11,838)	(1,413)	148,064
Equities	28,221	932	(28,451)	(702)	-
Pooled investment vehicles	7,998	-	(8,621)	623	-
	164,189	34,277	(48,910)	(1,492)	148,064
Other financial assets / (liabilities)					
Cash deposits*	3,602			(123)	9,094
Investment income due/amounts payable*	459			-	4,904
	4,061			(123)	13,998
Net financial assets	168,250			(1,615)	162,062

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 2016	Purchases at cost	Sales & proceeds	Change in market value	Market value at 31 March 2017
	£000	£000	£000	£000	£000
Bonds	59,749	97,017	(37,319)	8,523	127,970
Equities	-	28,285	-	(64)	28,221
Pooled investment vehicles	88,661	9,569	(108,262)	18,030	7,998
	148,410	134,871	(145,581)	26,489	164,189
Other financial assets / (liabilities)					
Cash deposits*	11			80	3,602
Investment income due/amounts payable*	177			-	459
	188			80	4,061
Net financial assets	148,598			26,569	168,250

* As per CIPFA disclosures the change in market value intentionally does not balance opening/closing market values

Notes to the Financial Statements

8 Investment managers and mandates

		Market value at 31 March 2017 £000	% of total 31 March 2017 %	Market value at 31 March 2018 £000	% of total 31 March 2018 %
Manager	Mandate				
In-house	High Div Equity	29,037	17.3	87	0.1
Total global equities		29,037	17.3	87	0.1
In-house	UK Index linked gilts	128,477	76.4	148,858	91.9
Total fixed interest and inflation linked bonds		128,477	76.4	148,858	91.9
Standard Life	Property	7,998	4.8	4,363	2.7
Total property		7,998	4.8	4,363	2.7
In-house	Cash	2,738	1.5	8,754	1.5
Total cash		2,738	1.5	8,754	1.5
Net financial assets		168,250	100.0	162,062	100.0

9 Investments representing more than 5% of the net assets of the Fund

	Market value at 31 March 2017 £000	% of total 31 March 2017 %	Market value at 31 March 2018 £000	% of total 31 March 2018 %
UK Gov 4.125% Index Linked 22/11/17	10,955	6.4	21,410	13.0
UK Gov 2.5% Index Linked 17/07/24	10,637	6.2	12,431	7.6
UK Gov 2.5% Index Linked 16/04/20	10,538	6.2	12,309	7.5
UK Gov 1.875% Index Linked 22/11/22	10,517	6.2	12,530	7.6
UK Gov 1.125% Index Linked 22/11/27	9,003	5.3	11,149	6.8
UK Gov 1.125% Index Linked 22/11/37	7,800	4.6	12,465	7.6
UK Gov 1.25% Index Linked 22/11/27	11,905	7.0	-	-

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.

Notes to the Financial Statements

10a Classification of financial instruments (cont)

	31 March 2017			31 March 2018		
	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
Financial assets						
Investment assets						
Bonds	127,970	-	-	148,064	-	-
Equities	28,221	-	-	-	-	-
Pooled investments	7,998	-	-	-	-	-
Cash	-	3,602	-	-	9,094	-
Other balances	-	459	-	-	4,904	-
	164,189	4,061	-	148,064	13,998	-
Other assets						
City of Edinburgh Council	-	146	-	-	194	-
Cash	-	2,232	-	-	2,240	-
Debtors	-	31	-	-	12	-
	-	2,409	-	-	2,446	-
Assets total	164,189	6,470	-	148,064	16,444	-
Financial liabilities						
Other liabilities						
Creditors	-	-	(15)	-	-	(48)
Liabilities total	-	-	(15)	-	-	(48)
Total net assets	164,189	6,470	(15)	148,064	16,444	(48)
Total net financial instruments			170,644			164,460

10b Net gains and losses on financial instruments

	2016/17 £000	2017/18 £000
Designated as fair value through fund account	26,489	(1,492)
Loans and receivables	80	(123)
Financial liabilities at amortised cost	-	-
Total	26,569	(1,615)

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 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 2018			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Investment assets				
Designated as fair value through fund account	-	148,064	-	148,064
Loans and receivables	13,998	-	-	13,998
Total investment assets	13,998	148,064	-	162,062
Investment liabilities				
Designated as fair value through fund account	-	-	-	-
Total investment liabilities	-	-	-	-
Net investment assets	13,998	148,064	-	162,062

Notes to the Financial Statements

10c Valuation of financial instruments carried at fair value (cont)

	31 March 2017			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Investment assets				
Designated as fair value through fund account	36,219	127,970	-	164,189
Loans and receivables	4,061	-	-	4,061
Total financial assets	40,280	127,970	-	168,250
Investment liabilities				
Designated as fair value through fund account	-	-	-	-
Total financial liabilities	-	-	-	-
Net investment assets	40,280	127,970	-	168,250

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 -)
Index-Linked Gilts	11.0%
Cash	1.0%

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 2018 £000	% of fund %	Potential Change +/- %	Value on increase £000	Value on decrease £000
Index-Linked Gilts	148,856	91.9	11.0	165,157	132,555
Cash	13,204	8.1	1.0	13,334	13,074
Total [1]	162,060	100.0	10.1	178,491	145,629
Total [2]			10.1	178,387	145,733
Total [3]			9.1	176,847	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].

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.

Notes to the Financial Statements

11 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 are the major areas of credit exposure where credit risk is not reflected in market prices.

Cash deposits

At 31 March 2018, cash deposits represented £20.4m, 12.5% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2018	Balances at 31 March 2017 £000	Balances at 31 March 2018 £000
Held for investment purposes			
Northern Trust Company - cash deposits	A2	3,602	1,077
The City of Edinburgh Council - treasury management	See below	-	8,017
		3,602	9,094
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	2,232	2,240
Total cash		9,436	20,428

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 -

- UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation.
- Money market funds (MMFs) no more than £30 million or 15% with any one Fund.
- 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 2018	Balances at 31 March 2017 £000	Balances at 31 March 2018 £000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	12	44
Standard Life Investments	Aaa-mf	-	1,520
Bank call accounts			
Bank of Scotland	A1	223	1,013
Royal Bank of Scotland	A3	3	37
Santander UK	Aa3	1	27
Barclays Bank	A1	-	1
HSBC Bank		-	4
Svenska Handelsbanken	Aa2	-	50
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa1	1,993	7,561
UK Government Treasury Bills	Aa1	-	-
		2,232	10,257

[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 2018 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.

Notes to the Financial Statements

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 £134m (2017 £145m). 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 2017 % p.a.	31 March 2018 % p.a.
Inflation/pensions increase rate	2.4%	2.4%
Discount rate	2.6%	2.7%

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2016 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 1.75% p.a.. Based on these assumptions, the average future life expectancies, in years, at age 65 are summarised below:

	31 March 2017		31 March 2018	
	Males	Females	Males	Females
Current pensioners	24.5 years	25.4 years	22.4 years	24.8 years
Future pensioners (assumed to be currently 45)	26.8 years	28.6 years	24.8 years	27.8 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 2017 £000	31 March 2018 £000
Sundry debtors	31	12
	31	12

Analysis of debtors

	31 March 2017 £000	31 March 2018 £000
Administering Authority	1	1
Other entities and individuals	30	11
	31	12

Notes to the Financial Statements

15 Creditors

	31 March 2017 £000	31 March 2018 £000
Benefits payable	-	3
Miscellaneous creditors and accrued expenses	15	45
	15	48

Analysis of creditors

	31 March 2017 £000	31 March 2018 £000
Other entities and individuals	15	48
	15	48

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.

LPFE Ltd which is a wholly owned subsidiary of the Council is responsible for administering the three Pension Funds. The Service receives an allocation of the overheads of the Council, based on the amount of central services consumed. In turn, the Service 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 2017 £000	31 March 2018 £000
Year end balance of holding account	146	194
	146	194

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 2018, the fund had an average investment balance of £6.3m (2017 £2.1m). Interest earned was £29k (2017 £8k).

Year end balance on treasury management account	31 March 2017 £000	31 March 2018 £000
Held for investment purposes	-	8,011
Held for other purposes	2,232	2,240
	2,232	10,251

Scheme Guarantor

The scheme guarantor (by definition) is a related party to the scheme. The Scottish Government's contributions to the Fund can be found in note 3 (page 99) of the notes to the Financial Statements.

Governance

As at 31 March 2018, all members of the Pensions Committee, with the exception of Richard Lamont, and all members of the Pensions Board, were members of the Lothian Pension Fund or Lothian Buses Pension Fund, with one member of the Pensions Board in receipt of pension benefits from Lothian Pension Fund.

Notes to the Financial Statements

16 Related party transactions (cont)

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.

With effect from 1 May 2015, all the employees listed below, with the exception of the City of Edinburgh Council members of staff, 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 2017 £000	Accrued CETV as at 31 March 2018 £000
Stephen Moir*	Executive Director of Resources, City of Edinburgh Council	-	22
Hugh Dunn*	Head of Finance, City of Edinburgh Council	1,251	949
Katy Miller*	Head of Human Resources, City of Edinburgh Council **	29	51
Clare Scott*	Chief Executive, Lothian Pension Fund	221	270
Bruce Miller	Chief Investment Officer, Lothian Pension Fund	267	334
Struan Fairbairn	Chief Risk Officer, Lothian Pension Fund	46	64
John Burns	Chief Finance Officer, Lothian Pension Fund	538	624
Esmond Hamilton	Financial Controller, Lothian Pension Fund	200	238

* Also disclosed in the financial statements of the City of Edinburgh Council.

** Appears due to being a Director in LPFE Ltd

Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2017 £000	31 March 2018 £000
Short-term employee benefits	380	415
Post-employment benefits - employer pension contributions	78	85

Key management personnel employed by LPFE, had accrued pensions totalling £97,456 (1 April 2017: £81,825) and lump sums totalling £110,889 (1 April 2017: £100,185) at the end of the period.

Staff are either employed by City of Edinburgh Council or LPFE Limited, and their costs reimbursed by the Pension Funds. 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 2017/18

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 (FSS), dated March 2018, 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.

As the Fund was well ahead of its Target Funding Level at the 2017 valuation, it took the decision to derisk its investment strategy and now invests 100% of its assets in index-linked gilts.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £170.6 million, were sufficient to meet 104.7% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2017 valuation was £7.7 million.

The Guarantor's contributions for the period 1 April 2018 to 31 March 2021 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 2017 valuation report.

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.

The key financial assumptions adopted for the 2017 valuation were as follows:

Financial assumptions	31 March 2017
Benefit increase assumption (CPI)	Bank of England nominal yield curve
Discount rate	Bank of England implied (RPI) curve less 1.0% p.a.

Scottish Homes Pension Fund

Actuarial Statement for 2017/18

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.75% 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

*Aged 45 as at 31 March 2017

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2017

Asset returns over the period have been slightly higher than the valuation discount rate and real bond yields at 31 March 2018 are at a similar level to 31 March 2017. Combining the impact of these leads to a broadly similar overall funding position at 31 March 2018 compared to the last formal valuation.

The next actuarial valuation will be carried out as at 31 March 2020. 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

27 April 2018

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 2017/18 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 2017/18 financial year and report on the net assets available to pay pension benefits as at 31 March 2018. 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 entities (LPFE Limited and LPFI 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.

Further details of the consolidation are provided in the Notes to the Financial Statements of Lothian Pension Fund.

LPFE Limited and LPFI Limited are wholly owned by the City of Edinburgh Council in its capacity as administering authority for the Local Government Pension Scheme in the Lothian area. The purpose of LPFE Limited is to provide staff services in respect of management of the Funds. LPFI Limited's purpose is to provide FCA regulated services to the Funds and other Local Government Pension Scheme funds. It is considered appropriate to consolidate the Financial Statements of the two companies 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 Funds 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.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

d) Investment income

i) Interest income

Interest income is recognised in the Funds accounts 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 Lothian Pension 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 entities - LPFE Limited and LPFI Limited

The Companies are mutual traders and are therefore not liable to corporation tax on any surpluses generated from services provided in respect of the Funds. The tax charges for the period are based on any profit for the period from non-mutual trade, adjusted for any non-assessable or disallowed items. They are 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 Lothian Pension Fund is responsible for administering the three Funds. The costs include charges from LPFE Limited and LPFI Limited for services rendered. The Fund receives an allocation of the overheads of the Council, this is based on the amount of central services consumed. In turn, these costs are allocated to the three 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, it has been decided 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.

In June 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 investment management team are charged to the Funds. The basis of allocation is as described in section g.

Securities lending revenue is reported gross and their fees are disclosed in investment management expenses.

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 Standard Interpretations Committee (SIC) 15, subsequently endorsed by the International Accounting Standards Board (IASB), 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 at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Funds has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The basis of the valuation of each class of investment assets is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuations provided
Market quoted investments - Equities	Level 1	Closing bid value on published exchanges	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Future derivative contracts	Level 1	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.	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuations provided
Forward foreign exchange derivatives	Level 1	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.	Not required	Not required
Government bonds - fixed interest / index linked gilts	Level 2	Recorded at net market value based on their current yields.	Evaluated price feeds	Not required
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Symes-Thompson FRICS of independent valuers, CBRE Ltd in accordance with RICS Valuation – Global Standards 2017	Existing lease terms and rentals. Independent market research. Nature of tenancies. Covenant strength for existing tenants. Assumed vacancy levels. Estimated rental growth. Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market price
Unquoted Pooled investments – Private Equity, Infrastructure, Timber, Private Secured Loans & Property	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Guidelines (2015)	EBITDA multiple Revenue multiple. Discount for lack of marketability. Control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Funds' own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Funds have determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

Lothian Pension Fund	Assessed Valuation range (+ or -)	Value at 31 March 2018	Value on increase	Value on decrease
<u>Unquoted</u>		£m	£m	£m
Private Equity	30%	90.4	117.5	63.3
Infrastructure	12%	727.6	814.9	640.3
Timber	18%	111.4	131.5	91.3
Private Secured Loans	10%	133.2	146.5	119.9
Property	13%	459.3	519.0	399.6
		1,403.9	1,643.6	1,163.6

Lothian Buses Pension Fund	Assessed Valuation range (+ or -)	Value at 31 March 2018	Value on increase	Value on decrease
<u>Unquoted</u>		£m	£m	£m
Infrastructure	12%	45.6	51.1	40.1
Timber	18%	6.8	8.0	5.6
Private Secured Loans	10%	10.0	11.0	9.0
		54.3	63.4	45.2

Scottish Homes Pension Fund has no assets valued at Level 3.

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) 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.

m) 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 Funds becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits of each of the Funds is assessed on an 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.

o) 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 pension fund financial statements. Details of contributions paid and the total value of funds invested are disclosed by way of note.

p) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

q) Employee benefits

The employees of LPFE Limited are eligible to participate in Lothian Pension Fund.

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.

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 the Scheme Actuary, 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 Fund Account in the period in which they arise.

Past-service costs are recognised immediately in the Fund Account, 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 2017/18 Code:

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 financial statements.

- IFRS 9 Financial Instruments
- IFRS 15, Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue Contracts with Customers
- amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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, timber and secured loan investments at 31 March 2018 was £1,062.5m (2016 £1,014.2m).

For the Lothian Buses Pension Fund, the value of unquoted private equity, infrastructure and timber investments at 31 March 2018 was £62.5m (2017 £54.3m).

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 Funds' 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 amounts 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 2018 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 the Funds' assets. The Funds' 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 2018	Approx % increase in liabilities %	Approx monetary amount £m
0.5% decrease in the real discount rate	10	814
1 year increase in member life expectancy	4	334
0.5% increase in salary increase rate	2	167
0.5% increase in pensions increase rate	7	582

Effect if actual results differ from assumptions - Lothian Buses 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 2018	Approx % increase in liabilities	Approx monetary amount
	%	£m
0.5% decrease in the real discount rate	10	48
1 year increase in member life expectancy	4	20
0.5% increase in salary increase rate	2	10
0.5% increase in pensions increase rate	7	48

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 2018	Approx % increase in liabilities	Approx monetary amount
	%	£m
0.5% decrease in the real discount rate	5	7
1 year increase in member life expectancy	4	6
0.5% increase in pensions increase rate	5	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, see 2j above for more details on the valuation methodology.

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. A sensitivity analysis can be found in note 2j above.

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 Annual 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 Funds in its charge and to secure that one of its officers has the responsibility for the administration of those affairs. The Head of Finance serves as the Section 95 Officer for all the Council's accounting arrangements, including those of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund. For the Funds, 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 Audited Annual Accounts for signature.

HUGH DUNN

Head of Finance of The City of Edinburgh Council

June 2018

The responsibilities of the Chief Finance Officer, Lothian Pension Fund

The Chief Finance Officer, Lothian Pension Fund, is responsible for the preparation of the Funds' Financial Statements which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code of Practice), is required to present a true and fair view of the financial position of the Funds at the accounting date and their income and expenditure for the year (ended 31 March 2018).

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 Funds as at 31 March 2018, and their income and expenditure for the year ended 31 March 2018.

JOHN BURNS, FCMA CGMA

Chief Finance Officer of Lothian Pension Fund

June 2018

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: the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund (the Funds). The Lothian Pension Fund group comprises the investment and pensions team employed by LPFE Limited (LPFE) supporting the Council in its separate statutory capacity as the administering authority of the Funds (Administering Authority) and LPFI Limited (LPFI), the groups regulated investment vehicle (together the LPF Group).

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 Joint Investment Strategy Panel; and
- the LPF Group.

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 Council is responsible for ensuring that its business in administering the Funds, is conducted in accordance with the law and appropriate standards, and that monies are 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, senior officers and external representatives are responsible for implementing effective arrangements for governing the affairs of the LPF Group, and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Pensions Committee oversees the operational administration of the Funds by the LPF Group.

The LPF Group 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 LPF Group 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.

The governance framework

The LPF Group operates within the wider governance framework of the Council but within specific ringfenced governance structures focused on the Funds themselves. The governance framework comprises the systems, processes, cultures and values by which the LPF Group directs and controls the Funds. It also describes the way the LPF Group engages with and accounts to its stakeholders in relation to the management of the administration of the Funds. It enables the LPF Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework also applies to any subsidiary companies which are members of the LPF Group, namely LPFI and LPFE. The LPF Group is also directly regulated by The Pensions Regulator, the Financial Conduct Authority (regarding its regulated investment activity), the Scottish Information Commissioner and is subject to other corporate and public sector rules and regulations.

The LPF Group's ongoing compliance with its governance framework and regulatory obligations is monitored on an ongoing basis by the Pensions Committee, the Audit Sub-Committee and the Pension Board.

The wider Council's Local Code of Corporate Governance is regularly reviewed and considered by the Governance, Risk & Best Value Committee. It has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Democracy, Governance and Resilience Senior 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 LPF Group places reliance upon certain of 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 LPF Group and the Funds governance framework within the Council, include:

- Identifying the objectives of the Funds in the Funding Strategy Statement, Statement of Investment Principles and Service Plan.
- Since April 2015, The Pensions Regulator has been responsible for setting standards of governance and administration for the Local Government Pension Scheme. The LPF Group has taken steps to fully integrate compliance with these standards within the overall governance framework.
- A systematic approach to monitoring service performance by the Pensions Committee, Pensions Audit Sub-Committee, Pension Board (each including external stakeholder representation), Independent Professional Observer and senior officers.
- A structured programme to ensure that Pensions 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' Statement of Investment Principles.
- Compliance with the CIPFA Principles for Investment Decision Making and Disclosure 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 standards and cost against other pension funds.
- LPFE and LPFI operating within their respective constitutional documentation and the relevant companies regulations.
- LPFI operating within the relevant governance policies and procedures to ensure compliance with the Financial Conduct Authority's rules, regulations and guidance.

- For LPF Group and Fund matters, the Pensions Committee, Pensions Audit Sub-Committee and Pension Board are responsible for scrutiny and challenge and a quarterly risk reporting process is in place to ensure full consideration of such matters.
- Officers of the LPF Group are managed separately through the processes and procedures of LPFE, overseen by its board of directors, with terms and conditions and a human resources performance review and management strategy tailored to the express needs of the Funds and their stakeholders.
- The directors of LPFE and LPFI have obligations to report to the Pensions Committee as the governing body for the Funds and Council in being the sole shareholder. In addition, the board and staff of LPFI are each individually regulated by the Financial Conduct Authority and so bound by the associated Principles and Standards of governance best practice.

Elements of the governance framework of the Council that are relevant to the LPF Group and Funds include:

- The Council is embedding a culture of commercial excellence to ensure that its services always deliver Best Value. That is ongoing and seeks to improve standards in buying practices and processes across the Council including, to the extent applicable, the LPF Group and the Funds which bear the cost of its operation and administration.
- The submission of reports, findings and recommendations from the external auditor, other inspectorates and internal audit, to the Pensions Committee, Pensions Audit Sub-Committee for all matters affecting the LPF Group and Funds and, in certain circumstances strictly for Council wide oversight purposes, the Corporate Leadership Group, Governance, Risk and Best Value Committee and wider Council.
- 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, 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 Section 95 Officer has overall responsibility for ensuring appropriate advice is given to the Council and the LPF 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 been sub-delegated to the Chief Finance Officer of the LPF Group.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee, and for matters relating to the LPF Group and Funds to the Pensions Committee and Pensions Audit Sub-Committee, on the adequacy of relevant internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.
- The Council's Democracy, Governance and Resilience Manager, reporting to the Head of Strategy and Insight, has responsibility for advising the Council on corporate governance arrangements and supports the LPF Group on certain aspects of its governance arrangements.
- The Governance, Risk and Best Value Committee, and for LPF Group and 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 LPF Group and 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 Resources Senior Management Team Risk Register and Council Risk Register all identify risks and proposed treatment and 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.

- 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. A separate policy on Pensions Committee and Pension Board member training has been adopted and is overseen by the LPF Group's officers.
- Mandatory training for Councillors newly appointed to the Pensions Committee is programmed within the Induction and Training programme for Elected Members. This focuses on governance, investment management and strategy and how the LPF Group and Funds work. Committee members are reminded of the requirement to undertake a minimum of 21 hours of training per financial year to fulfil their role on the Pensions Committee.
- 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. The LPF Group has adapted policies to take into account the specific nature of its business and regulation.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others. The LPF Group has an adapted policy to take into account the specific nature of its business and regulation.
- 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 identify and prioritise risks to the achievement of the Council's objectives, including those relevant to the LPF Group and Funds. Following the establishment of the wholly-owned subsidiary companies, LPFE and LPFI, the Council continues to have appropriate assurance processes and procedures in relation to the responsible officers involved in the administration of those companies and so the wider LPF Group administering the 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.

The Chief Internal Auditor has also provided an assurance statement on the effectiveness of the system of internal control. The opinion in the assurance statement states: "Internal Audit considers that significant enhancements are required to the LPF control environment and governance and risk management frameworks, and is raising a 'red' rated opinion, with our assessment towards the middle of this category."

In compliance with standard accounting practice, the Head of Finance, of the City of Edinburgh Council 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 2018. It is the Head of Finance's opinion that "reasonable assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal control".

The Chief Finance Officer of the LPF Group has provided a statement of the effectiveness of the internal financial control system for the year ended 31st March 2018 for the Funds. It is the Chief Finance Officer's opinion "that based on internal audit work undertaken during the year, has highlighted a need for significant enhancements to the control environment and associated governance and risk management frameworks. The control improvements implicit in this opinion will be examined and corresponding required improvements as they relate to financial systems implemented as a matter of urgency."

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 LPF Group in its administration of the Funds. We consider the governance and internal control environment operating during the financial year from 1 April 2017 to 31 March 2018 to provide reasonable and objective assurance that any significant risks impacting on the LPF Group and its ability to achieve its objectives in properly administering the Funds have and will continue to be identified and suitably proportionate actions have and will be taken to avoid or mitigate the impact of any such risks.

The LPF Group has identified certain key areas for improvement, summarised as follows:

- ICT: Continuing to engage with ICT service provider and the City of Edinburgh Council to monitor and drive improvements in the ICT services which the LPF Group receives, whilst in tandem continuing to assess the position around the LPF Group procuring a separate ICT provider to solely and independently service its specific ICT requirements in support of its strategic business plan.
- Human resources: To continue to implement the new human resources strategy specific to LPF Group's requirements.
- Independent professional observer: To appoint a replacement Independent Professional Observer in support the work and governance of the Pensions Committee and the Pension Board.
- Pension Board: To ensure that vacancies in the Pension Board are filled timeously and by suitable candidates and that this body of external stakeholder representatives receives the training and support that it requires on an ongoing basis.
- Business continuity: To continue to assess and refresh the business continuity plan on an ongoing basis ensuring sufficient engagement with staff.
- Information governance: Having completed a full information governance compliance project prior to the implementation of new data protection laws on 25 May 2018, to continue to implement ongoing actions to ensure continuing best practice information governance and security within the LPF Group, including monitoring and engaging with third party suppliers where appropriate.
- Financial services regulatory compliance: To continue to instruct external compliance audits on the operations and governance of LPFI in order to ensure best practice compliance and assurance around its existing operations (and in preparation for its extended collaborative business model) and take action to address the recommendations from those audits on an ongoing basis.
- Wider governance: To continue to maintain and reinforce separate governance and controls specific to the needs of the LPF Group, the pensions funds it administers and its distinct duties to employer and member stakeholders; consistently throughout the LPF Group's governance structures. To ensure that oversight by the City of Edinburgh Council is supported in a manner consistent with these duties.

The LPF Group will ensure that these are treated as a priority and that progress towards implementation will be reviewed through the governance structures and processes established for the LPF Group and summarised herein.

ANDREW KERR
Chief Executive
The City of Edinburgh Council
June 2018

STEPHEN MOIR
Executive Director of Resources
The City of Edinburgh Council
June 2018

CLARE SCOTT
Chief Executive
Lothian Pension Fund
June 2018

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 describes arrangements at 31 March 2018 and over the financial year.

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	<p>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:</p> <ul style="list-style-type: none"> - Five City of Edinburgh Council elected members - Two external members, one drawn from the membership of the Funds and one drawn from the employers that participate in the Funds.
Structure	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	<p>The Pensions Committee includes two external places for pension fund stakeholders i.e. one each from the employer and member representatives.</p> <p>Fund members and employers are also represented within the Funds' Pension Board. Membership includes five employer representatives and five member representatives.</p> <p>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.</p> <p>Two members of the Pension Board attend the Pensions Audit Sub-Committee.</p>

Principle		Full Compliance	Comments
Structure	That where a secondary committee or board has been established, the structure ensures effective communication across both levels.	Yes	<p>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.</p> <p>Implementation of investment strategy is delegated to the Executive Director of Resources who then delegates to the Head of Finance, who takes advice from the Joint Investment Strategy Panel. The Panel meets quarterly and reports to the Pensions Committee annually.</p> <p>The Joint Investment Strategy Panel consists of the Head of Finance of the City of Edinburgh Council and the Chief Executive Officer, Chief Finance Officer, Chief Investment Officer of the LPF Group plus three experienced external industry advisers.</p> <p>The Pensions Committee receives annual updates from LPFE and LPFI.</p>
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	<p>The Pension Board consists of a mix of representatives:</p> <ul style="list-style-type: none"> - 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.

Principle		Full Compliance	Comments
Representation	Where appropriate, independent professional observers, and expert advisers (on an ad-hoc basis).	Yes	<p>An Independent Professional Observer was appointed in March 2013 to help Committee scrutinise advice. This contract expired in February 2018 and a selection process is underway to reappoint this role.</p> <p>As above, external investment advisers sit on the Joint Investment Strategy Panel.</p> <p>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 funds.</p> <p>A non-executive director was appointed to the board of LPFI on 7 February 2017 and LPFE on 19 March 2018.</p> <p>An external compliance consultant supports the LPF Group on its ongoing compliance with the Financial Conduct Authority rules, regulations and guidance.</p>
	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	<p>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.</p> <p>The Pensions Committee takes account of the views of the Pension Board when making decision.</p>
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	<p>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.</p> <p>The non-elected members confirm that they have read, signed and will abide by a Code of Conduct (specifically tailored for the Pensions Committee and Pension Board) prior to their appointment to those bodies. The elected members are required to read, sign and abide by the Councillors' Code of Conduct.</p>

Principle		Full Compliance	Comments
Selection and Role of Lay Members	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	<p>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.</p> <p>A Code of Conduct also applies to all members of the Pensions Committee and the Pension Board.</p> <p>The declaration of board members interest is a standard item on the agenda for the meetings for the LPFE and LPFI board meetings.</p>
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	<p>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.</p> <p>The LPF Group's Nomination and Appointments Policy clearly documents how employer and member representatives will be elected to the Pensions Committee and Pension Board.</p> <p>LPFI and LPFE board members conduct meetings and other matters in accordance with their respective articles of association and shareholders' agreements.</p>
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	<p>A Training and Attendance Policy is in place covering training requirements and reimbursement of expenses. The policy is available on the LPF Group's website</p> <p>Board members and staff working for LPFI and LPFE also attend separate training for the purposes of their knowledge, understanding and (where appropriate) compliance with Financial Conduct Authority regulations.</p>

Principle		Full Compliance	Comments
Training / Facility Time / Expenses	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.
	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	<p>The Pensions Audit Sub-Committee is held before the Pensions Committee at least three times a year with further meetings held if necessary.</p> <p>The Joint Investment Strategy Panel meets quarterly or more frequently as required.</p> <p>The Pension Board attends all the Pensions Committee meetings and separately meets in advance of such meetings. Further meetings are held if necessary.</p> <p>The LPFE board now meet five time a year (in February, May, August, October and December) and the LPFI board meet monthly.</p>
	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	

Principle		Full Compliance	Comments
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	Pensions Committee papers and minutes are publicly available on the Council's website and all Pensions Committee and Pension Board members have equal access. Members of the Pensions Committee and Pension Board have equal access to the Independent Professional Observer who holds surgeries ahead of Committee meetings.
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 and the LPF Group. 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 Funds.
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	Governance documents, policies and details of Pension Board membership are on the LPF Group's website. The LPF Group also communicates regularly with employers and scheme members.

ANDREW KERR
Chief Executive
The City of Edinburgh Council
June 2018

STEPHEN MOIR
Executive Director of Resources
The City of Edinburgh Council
June 2018

CLARE SCOTT
Chief Executive
Lothian Pension Fund
June 2018

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.

- 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:	Nick Bennett, Scott-Moncrieff
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 Limited
Solicitors:	In-house

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 the details on the back page.

LOTHIAN PENSION FUNDS

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Wednesday 27 June 2018

Lothian Pension Fund - Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018

Executive summary

Item number
Report number
Executive/routine
Wards

This report details Internal Audit's annual opinion for Lothian Pension Fund (LPF) for the year ended 31 March 2018. Our opinion is based on the outcomes of four audits included in the LPF 2017/18 Internal Audit annual plan and the status of open Internal Audit findings.

Internal Audit considers that significant enhancements are required to the LPF control environment and governance and risk management frameworks and is therefore reporting a 'red' rated opinion (see Appendix 1), with our assessment towards the middle of this category.

This report is a component part of the overall annual assurance provided to LPF, as there are a number of additional assurance sources that the Committee should consider when forming their own view on the design and effectiveness of the control environment and governance and risk management frameworks within LPF.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement All

Lothian Pension Fund - Internal Audit Opinion and Annual Report for the Year Ended 31 March 2017

Recommendations

- 1.1 It is recommended that the Committee notes the internal audit opinion for the year ended 31 March 2018.

Background

- 2.1 The Public Sector Internal Audit Standards (PSIAS) provide a coherent and consistent internal audit framework for public sector organisations. Adoption of the PSIAS is mandatory for internal audit teams within UK public sector organisations, and PSIAS require annual reporting on conformance.
- 2.2 It is the responsibility of the Council's Chief Internal Auditor to provide an independent and objective annual opinion on the adequacy and effectiveness of LPF's control environment and governance and risk management frameworks in line with PSIAS requirements. The opinion is provided to the Pensions Audit Sub-Committee, and should be used to inform the LPF Annual Governance Statement.
- 2.3 The annual opinion is based on the outcomes of the three audits included the LPF 2017/18 Internal Audit annual plan, and the additional audit on payroll outsourcing added to the plan at the request of LPF. These audits were designed to test the effectiveness of the controls, and governance and risk management frameworks, established to effectively mitigate and manage LPF's most significant risks.
- 2.4 The objective of Internal Audit is to provide a high quality independent audit service to Lothian Pension Fund (LPF), in accordance with PSIAS requirements, which provides assurance over the control environment established to manage LPF's key risks and their overall governance and risk management arrangements.
- 2.5 Where control weaknesses are identified, Internal Audit findings are raised, and management agree recommendations to address the gaps identified. However, it is the responsibility of management to address and rectify the weaknesses identified via timely implementation of these agreed management actions.
- 2.6 The IA definition of an overdue finding is any finding where all agreed management actions have not been implemented by the final date agreed by management and recorded in Internal Audit reports.

Internal Audit Opinion

- 3.1 Internal Audit considers that significant enhancements are required to the LPF control environment and governance and risk management frameworks, and is raising a 'red' rated opinion (see category 3 at Appendix 1), with our assessment towards the middle of this category.
- 3.2 This opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance provided over controls) as set out in Appendix 2.
- 3.3 Internal Audit is not the only source of assurance provided to LPF as there are a number of additional assurance sources (for example, external audit) that the Committee should consider when forming their own view on the design and effectiveness of the LPF control environment and governance and risk management frameworks.

Basis of opinion

- 3.4 Our opinion is based on the outcome of audits completed in the year to 31 March 2018, and the status of open internal audit findings.

Audit outcomes

- 3.5 Four internal audit reviews were completed during the year, and a total of 12 findings (4 High; 3 Medium; 4 Low and 1 Advisory) were raised.
- 3.6 The most significant findings raised highlighted the need for LPF to ensure that third party systems suppliers have established adequate and effective resilience arrangements that are aligned with LPF recovery objectives; and effective change management controls to provide assurance on the ongoing integrity of their systems.
- 3.7 Given LPF's dependence on the City of Edinburgh Council for a number of support services, we have also considered the outcomes of relevant work performed on the Council's control environment and governance and risk management frameworks. The Council's annual internal audit opinion will be presented to the Governance, Risk, and Best Value Committee meeting in July 2018.

Status of Internal Audit Findings

- 3.8 LPF has a total of 7 open Internal Audit findings (4 High; 2 Medium; and 1 Low) that relate to reviews completed as part of the 2017/18 annual plan. Of these, one High and one Medium rated findings are overdue, as agreed management actions were not completed by the agreed implementation date. Further detail is included at Appendix 3.
- 3.9 As part of a Council wide exercise completed in April 2018, LPF management has attested that all agreed management actions designed to address the risks associated with historic internal audit findings (raised since 1 April 2015) have been effectively implemented and sustained.

Comparison to prior year

- 3.10 An amber rated opinion was reported in 2016/17 reflecting that the LPF control environment and governance and risk management frameworks were 'generally adequate but with some enhancements required', with our assessment towards the higher end of this category.
- 3.11 A direct comparison between annual Internal Audit opinions is not always possible as the scope of the audits included in the annual plans will vary in line with the changing LPF risk profile.
- 3.12 However, it should be noted that the number of findings raised in 2017/18 (12) has increased in comparison to the number raised in 2016/17 (7). The number of High rated findings raised has also increased from 1 to 4.
- 3.13 Of the 12 findings raised in 2017/18, 2 (1 High and 1 Low) related to the Payroll Outsourcing audit which was a unique project related review.

Internal Audit Independence

- 3.14 PSIAS require that Internal Audit must be independent and internal auditors must be objective in performing their work. To ensure conformance with these requirements, Internal Audit has established processes to ensure that both team and personal independence is consistently maintained and that any potential conflicts of interest are effectively managed.
- 3.15 We do not consider that we have faced any significant threats to our independence during 2017/18, nor do we consider that we have faced any inappropriate scope or resource limitations when completing our work.

Conformance with Public Sector Internal Audit Standards

- 3.16 Internal Audit has not conformed with PSIAS requirements during 2017/18 for the following reasons:
 - 3.16.1 There has been insufficient follow-up of Internal Audit findings between April 2015 and October 2017 to monitor and ensure that management actions have been effectively implemented; and
 - 3.16.2 Resourcing challenges within the Internal Audit team has impacted completion of the two internal quality assurance reviews included in the 2017/18 Internal Audit annual plan to ensure consistency of audit quality.
- 3.17 It should be noted that these instances of non-conformance have had no direct impact on the quality of internal audit reviews completed for LPF in 2017/18.

Action taken to address instances of non PSIAS conformance

- 3.18 A manual follow-up process was implemented immediately following identification of the historic issue, and a new software based automated process is scheduled for implementation in July 2018.
- 3.19 Resources were drawn down from the existing co-source arrangement with PwC to address resourcing gaps and ensure completion of the annual audit plan.

- 3.20 Internal quality assurance reviews will be reinstated with effect from 1 April 2018, with two quality assurance reviews have been scheduled for completion in the 2018/19 plan year.

Measures of success

- 4.1 Appropriate changes are implemented to ensure that the LPF control environment and governance and risk management frameworks are adequately designed and operate effectively.

Financial impact

- 5.1 No direct financial impact.

Risk, policy, compliance, and governance impact

- 6.1 Appropriate changes are implemented to ensure that the LPF control environment and governance and risk management frameworks are adequately designed and operate effectively.

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](#)

Lesley Newdall

Chief Internal Auditor

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Links

Coalition pledges

Council outcomes

**Single Outcome
Agreement**

Appendices

Appendix 1 – Internal Audit Annual Opinion Definitions

Appendix 2 - Limitations and responsibilities of internal audit and management responsibilities

Appendix 3 - LPF reviews completed between 1 April 2017 and 31 March 2018

Appendix 4 - Status of LPF Internal Audit Findings

Appendix 1 – Internal Audit Annual Opinion Definitions

The PSIAS require the provision of an annual Internal Audit opinion, but do not provide any methodology or guidance detailing how the opinion should be defined. We have adopted the approach set out below to form an opinion for Lothian Pension Fund.

We consider that there are 4 possible opinion types that could apply to LPF. These are detailed below:

<p>1 Adequate</p> <p><i>An adequate and appropriate control environment and governance and risk management framework is in place enabling the risks to achieving organisation objectives to be managed</i></p>	<p>2 Generally adequate but with enhancements required</p> <p><i>Areas of weakness and non-compliance in the control environment and governance and risk management framework that that may put the achievement of organisational objectives at risk</i></p>
<p>3 Significant enhancements required</p> <p><i>Significant areas of weakness and non-compliance in the control environment and governance and risk management framework that puts the achievement of organisational objectives at risk</i></p>	<p>Inadequate</p> <p><i>The framework of control and governance and risk management framework is inadequate with a substantial risk of system failure resulting in the likely failure to achieve organisational objectives.</i></p>

Professional judgement is exercised in determining the appropriate opinion, and it should be noted that in giving an opinion, assurance provided can never be absolute.

Appendix 2 - 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 2017 to 31 March 2018. Work completed was based on the terms of reference agreed with management for each review. However, where other matters have come to our attention, that are considered relevant, they have been taken into account when finalising our reports and the annual opinion.

There may be additional weaknesses in the LPF control environment and governance and risk management frameworks that were not identified as they were not included in the 2017/18 LPF annual internal audit plan; were excluded from the scope of individual reviews; or were not brought to Internal Audit's attention. Consequently, management and the Committee should be aware that the opinion may have differed if these areas had been included, or brought to Internal Audit's attention.

Control environments, 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 impact of unplanned events.

Future periods

The assessment of controls relating to the Council is for the year ended 31 March 2017. 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 effective control environments and governance and risk management frameworks that are designed to prevent and detect irregularities and fraud. Internal audit work should not be regarded as a substitute for Management's responsibilities for the design and operation of these controls.

Internal Audit endeavours to plan its work so that it has a reasonable expectation of detecting significant control weaknesses and, if detected, performs additional work directed towards identification of potential fraud or other irregularities. However, internal audit procedures alone, even when performed with due professional care, do not guarantee that fraud will be detected. Consequently, internal audit reviews should not be relied upon to detect and disclose all fraud, defalcations or other irregularities that may exist.

Appendix 3 - LPF reviews completed in 2016/17 and 2017/18

2017/18 Annual Plan	Findings			
Review	High	Medium	Low	Advisory
Information Governance	-	2	3	1
Review of IT Business Resilience and Disaster Recovery	2	-	-	-
* Information Security Due Diligence for Payroll Outsourcing	1	-	1	-
Pensions Tax Lifetime and Annual Allowances	1	1	-	-
Total Findings Raised	4	3	4	1
<i>Total 16/17 (3 reports)</i>	<i>1</i>	<i>2</i>	<i>4</i>	<i>-</i>

* This was an additional review added to the plan at the request of LPF.

2016/17 Annual Plan	Findings			
Review	High	Medium	Low	Advisory
Internally managed investments	-	-	3	-
Third party ICT supplier risk	1	1	-	-
LPF group governance and HR arrangements	-	1	1	-
Total 16/17	1	2	4	-
<i>Total 15/16 (3 reports)</i>	<i>-</i>	<i>4</i>	<i>5</i>	<i>-</i>

Appendix 4 - Status of LPF Internal Audit Findings

Review	High	Medium	Low	Status
Information Governance	-	1	-	Overdue
IT Business Resilience and Disaster Recovery	1	-	-	Not yet due - due for final completion by 30 June 18. Two supporting management actions have missed their implementation dates
	1	-	-	Overdue
Pensions Payroll Outsourcing	1	-	-	Not yet due – completion date is 9 April 2018
	-	-	1	Not yet due – completion date is 29 June 2018.
Pensions Tax	1	-	-	Not yet due – completion date is 31 May 2018
	-	1	-	Not yet due – final completion date is 31 March 2019, with one management action due by 30 August 2018.
Total	4	2	1	One High and one Medium rated findings were overdue at 31 March 2017
<i>Total 15/16</i>	-	2	-	<i>One medium rated finding was overdue at 31 March 2016 and has now been closed</i>

Note: The IA definition of an overdue finding is any finding where all agreed management actions have not been implemented by the final date agreed by management and recorded in Internal Audit reports.

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 appropriate system of internal financial control is in place and its on-going 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 internal audit actions forms a standing item on the Council Leadership and Senior Management Team agendas, with progress also regularly reported to the Governance, Risk and Best Value Committee. In view of recent staffing reductions and various resulting changes in respective responsibilities, the self-attestation exercise undertaken early in 2018 has also been helpful in assessing the extent to which improvements have been embedded within service areas, highlighting a need for further action in some areas to implement and sustain the required controls.
3. The effectiveness of the Council's internal financial control framework as a whole is subject to annual review by its external auditors, with the principal findings of [the most recent annual assessment](#) reported to the Governance, Risk and Best Value Committee in September 2017.
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 (although some instances of non-compliance during the year have been noted). 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 2017/18, the section reported to the Head of Legal and Risk. It also has, however, unfettered access to the Chief Executive, Executive Directors, Heads of Service (including the Head of Finance) and elected members of the Council when required.
5. The Chief Internal Auditor has provided an assurance statement that includes her opinion on the adequacy and effectiveness of the system of internal financial control. This opinion, based on internal audit work undertaken during the year, has highlighted a need for significant enhancements to the control environment and associated governance and risk management frameworks. The control improvements implicit in this opinion will be examined and corresponding required improvements as they relate to financial systems implemented as a matter of urgency.
6. The existing 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 budgeted net expenditure. For 2017/18, building on recent years' improvements, extensive senior management team, Council Leadership Team and elected member scrutiny resulted in the delivery of the majority of approved savings, with the main exception being Health and Social Care where the urgent need for radical new demand management approaches has again been highlighted. An internal audit review of the Council's savings development and monitoring processes undertaken in 2016/17 noted a number of areas of good practice, with no recommendations for improvement made;
- agreement of targets against which financial and operational performance can be assessed. Key amongst these financial targets is the achievement of a balanced Council-wide outturn, with the provisional year-end position for 2017/18 showing that net expenditure has been maintained within budgeted levels for the eleventh successive year;
- clearly-defined capital and other expenditure guidelines communicated to services and set out in the [Finance Rules](#) which were refreshed in October 2017. The [Financial Regulations](#) were also reviewed in June 2017 and a further refresh is planned for consideration in June 2018;
- an approved long-term financial strategy and plan, updates in respect of which are regularly discussed at CLT and [reported](#) to the Finance and Resources Committee, with the next such update planned for consideration on 12 June;
- formal project management disciplines as supported and promoted through the Strategy and Insight section, including senior Finance representation on all major project boards and assurance review panels; and
- formal governance arrangements operated within both subsidiary and associated companies, complemented by a strengthened Council observer role and consolidation and active consideration by senior Council officers of a consistent suite of key operational documentation for its principal companies. Service Level Agreements have also been agreed during the year for all finance-related services provided to some external bodies and account will be taken of all relevant recommendations contained within the recently-published Accounts Commission national report in this area.

7. 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 and relevant service heads;
- regular senior management-level consideration of progress in implementing internal audit recommendations, including self-attestation of previous actions where relevant;
- 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](#).
8. 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 2015/16 financial statements audit. Having reviewed the framework, it is therefore my opinion that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal control, further improvements, including embedding of actions taken in response to previous recommendations, are clearly required.
 9. I have, nonetheless, overseen the improvements put in place in response to Finance-specific recommendations made by internal and external audit work during the year, with improvement apparent in both timeliness of implementation and embedding of previously-agreed actions. This said, the extent of change and reduction in overall resources underpinning the Council's Transformation Programme has reinforced the importance of robust, documented and well-understood procedures for key system controls and, in light of the follow-up audit undertaken in April 2018, a priority in 2018/19 will therefore be to consolidate these improvements, identify any further required actions and gain necessary assurance by regularly assessing their effectiveness.
 10. I have furthermore co-ordinated work refreshing as necessary the Council's long-term financial planning arrangements, recognising the need to keep these matters under regular review. Following consideration of a budget framework update report by the Finance and Resources Committee on 12 June, I will re-impress upon members the need for the Change Strategy to signal a fundamental step change in what the Council does (including service prioritisation), and how it does it, if it is to secure financial sustainability going forward.

Hugh Dunn
Head of Finance
4 June 2018

Annual Report 2018
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 2018”

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 2018.

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, Head of Finance, City of Edinburgh Council, dated 04 June 2018, 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;
- 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 Pension 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' Statements of Investment Principles;
- compliance with the CIPFA Principles for Investment Decision Making and Disclosure 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 standards and cost against other Local Government Pension Scheme funds;

- LPFE and LPFI operating within their respective constitutional documentation and the relevant company regulations;
- LPFI operating within the relevant governance policies and procedures to ensure compliance with the Financial Conduct Authority regulations

The Chief Internal Auditor has provided an “Internal Audit Annual Report and Opinion for the year ended 31 March 2018”, in accordance with the requirement set out in the Public Sector Internal Audit Standards. This opinion, based on internal audit work undertaken during the year, has highlighted a need for enhancements to the control environment and associated governance and risk management frameworks. Requisite actions are being progressed to secure such control improvements.

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 LPF Group in administering the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

**John Burns, FCMA CGMA
Chief Finance Officer,
Lothian Pension Fund**

04 June 2018

The City of Edinburgh Council

10.00am, Thursday 28 June 2018

Lothian Buses Pension Fund - referral from the Finance and Resources Committee

Item number	8.11
Report number	
Wards	All
Council Commitments	

Executive summary

On 12 June 2018 the Finance and Resources Committee considered a report on the proposal by the Lothian Buses Pension Fund to assimilate the Lothian Buses Fund. The report has been referred to the City of Edinburgh Council for approval for the Council to act as a guarantor for contributions to the Pensions Fund, in relation to the proportion of its shareholding.

Terms of Referral

Lothian Buses Pension Fund - referral from the Finance and Resources Committee

Terms of referral

- 1.1 The Council had a 91% shareholding in Lothian Buses Limited as one of the successor authorities to Lothian Regional Council. The other shareholders were East, Mid and West Lothian Council with 3.1%, 5.5% and 0.4% respectively.
- 1.2 In 1986 Lothian Regional Council and Lothian Regional Transport established the Lothian Buses Pension Fund (LBPF) as a sub-fund of the Lothian Pension fund (LPF). This Fund had been managed by LPF as a “stand alone” fund and as such had its own investments, actuarial valuation and accounts. LBPF and LPF were administered by the City of Edinburgh Council on behalf of all the members.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the proposal by the Lothian Pension Fund to merge the Lothian Buses Fund into the Lothian Pension Fund.
 - 1.3.2 To refer the report to the Council for approval for the Council to act as a guarantor for contributions to the Pensions Fund, in relation to the proportion of its shareholding.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to give approval for the Council to act as a guarantor for contributions to the Pensions Fund, in relation to the proportion of its shareholding.

Background reading / external references

Finance and Resources Committee 12 June 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00a.m, Tuesday 12 June 2018

Lothian Buses Pension Fund

Item number	7.7
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	

Executive Summary

The purpose of this report is to advise the Committee of the proposal by the Lothian Pension Fund to assimilate the Lothian Buses Fund and its request that the Council act as a guarantor for contributions to the Pension Fund, based on its shareholding in the company.

Lothian Buses Pension Fund

1. Recommendations

- 1.1 It is recommended that members of the Finance and Resources Committee:
 - 1.1.1 Note the proposal by the Lothian Pension Fund to merge the Lothian Buses Fund into Lothian Pension Fund; and
 - 1.1.2 Refer the report to Council for approval for the Council to act as a guarantor for contributions to the Pension Fund, in relation to the proportion of its shareholding.

2. Background

- 2.1 The Council has a 91% shareholding in Lothian Buses Limited as one of the successor authorities to Lothian Regional Council. The other shareholders are East, Mid- and West Lothian Councils with 3.1%, 5.5% and 0.4% respectively.
- 2.2 In 1986 Lothian Regional Council and Lothian Regional Transport established the Lothian Buses Pension Fund (LBPF) as a sub-fund of Lothian Pension Fund (LPF). This Fund has been managed by LPF as a “stand alone” fund and as such has its own investments, actuarial valuation and accounts. LBPF and LPF are administered by the City of Edinburgh Council on behalf of all the members.

3. Main report

- 3.1 The Pensions Committee, at its meeting on 26 March 2018 approved the merger of LBPF into LPF, with all assets and liabilities of LBPF transferring to LPF. The report set out the benefits of the merger, which include:
 - increased investment diversification;
 - consistency of investment approach;
 - reduced number of investment portfolios;
 - greater efficiency in cash management; and
 - efficiencies in investment administration and accounting.

- 3.2 At present, the Funding Strategy Statement (of the Funds) has established the policy of “alignment”, whereby liabilities on default of one employer, with no guarantor, are assigned or apportioned to another employer(s) where a clear linkage exists, e.g. geographical or funding relationship.
- 3.3 A revised Admission Agreement formally clarifying the position of the four Councils as guarantors, in proportion to their respective shareholdings, will be sought prior to the transfer of assets and liabilities and merger of the two Funds.
- 3.4 The Actuary has stated that such explicit guarantee is required to permit “Lothian Buses to continue to pay contributions to the Fund after the last active member leaves” and so that “there would be no need to target a 100% gilts strategy at the cessation date if the funding time horizon extends beyond that point”. This increased flexibility is likely to be very much in the mutual interests of the company and its shareholders.
- 3.5 At the same meeting, Pensions Committee noted that the Actuary’s certification of the results of the 2017 Actuarial Valuation of LBPF was predicated upon a revised Admission Agreement and Shareholder Guarantee for Lothian Buses Limited. Accordingly, he has reserved the right to revise the certification of the minimum contribution rate(s) should there be any undue delay in the formal signing.
- 3.6 The Finance and Resources Committee previously considered a report, in February 2018, on a request to act as a pension guarantor for Edinburgh Leisure. Members agreed that any further requests from organisations seeking pension liability guarantees should be considered on their own merits.
- 3.7 The most recent actuary valuation of LBPF at 31 March 2017 showed a funding level of 89% on a gilts basis and 121% on an ongoing basis.
- 3.8 It is recommended that the Council becomes a guarantor for its share of Lothian Buses Limited to realise the benefits outlined, and the approval of Council is sought to do so.

4. Measures of success

- 4.1 Lothian Buses Limited meets its pension liabilities as they fall due.
- 4.2 The Council is not called upon to make a payment in its capacity as guarantor.
- 4.3 Financial advantages set out are reflected in future investment performance and actuarial valuations of LPF.

5. Financial impact

- 5.1 Acting as a guarantor for Lothian Buses Limited will not impact on the Council, provided Lothian Buses Limited meets its pension liabilities, as they fall due.

- 5.2 To a large extent the scale of benefits will be dependent upon future financial market conditions. It is estimated that savings will be at least £0.75m - £1m per annum, although these would not be realised immediately, but over time.

6. Risk, policy, compliance and governance impact

- 6.1 A revised Admission Agreement for Lothian Buses Limited, formally clarifying the position of the four Councils, as guarantors of the pension liabilities in proportion to their respective shareholding, will be put in place prior to the transfer of assets and liabilities. This will serve to strengthen governance and affirm the employer covenant.
- 6.2 Any guarantor arrangement requires the approval of Council.
- 6.3 The guarantor arrangement exposes the Council to a risk of additional costs if pension liabilities are not met as they fall due.

7. Equalities impact

- 7.1 There is no direct additional implication of the report's contents.

8. Sustainability impact

- 8.1 There is no direct additional implication of the report's contents.

9. Consultation and engagement

- 9.1 Lothian Pension Fund undertook consultation with Lothian Buses Limited and union representatives for Lothian Buses members as part of the preparation of the report to the Pensions Committee in March 2018.

10. Background reading/external references

- 10.1 [Merger of Lothian Buses Pension Fund and Lothian Pension Fund](#) – Report to Pensions Committee 12 March 2018.
- 10.2 [2017 Actuarial Valuation for Lothian Buses Pension Fund](#) – Report to Pensions Committee 12 March 2018.

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

11. Appendices

None.

10am, 28 June 2018

Corporate Parenting Plan

Item number	8.12
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The Children and Young People (Scotland) act 2014 confers duties upon the local authority and other corporate parents to publish a corporate parenting plan, setting out our vision for Looked After children and young people, the outcomes we are trying to achieve, the actions needed to do this and the governance arrangements for monitoring progress.

The council has had such a plan in place since 2012 and now needs to publish this updated version.

The plan has been co-produced with partners and reflects consultation to date with children and young people.

The council is asked to approve the plan and to note the steps in place to increase the engagement and participation of young people in the co-production of future plans.

Corporate Parenting Plan

1. Recommendations

- 1.1 It is recommended that council approves the 2017-20 corporate parenting plan.
- 1.2 It is recommended that council notes the arrangements in place to increase the engagement and participation of looked after children and young people in the co-production of future plans.

2. Background

- 2.1 Background in relation to Looked After children and young people, the legislative context of corporate parenting and Edinburgh's approach to date are set out in pages 2-5 of the plan, attached.

3. Main report

- 3.1 The council has had a corporate parenting plan in place since 2012.
- 3.2 The current draft plan is attached (Appendix 1) and describes the actions in place in relation to leadership, health and wellbeing, education, employment and training, support and protection and accommodation.
- 3.3 The plan has been co-produced with partners and reflects the views expressed in consultation to date with children and young people.
- 3.4 The ways in which we implement ongoing actions will be informed by engagement with children and young people.
- 3.5 For this purpose, we have formed a Champions Board of Looked After children and young people who meet on a monthly basis with the vice convenor of the Education, Children and Families Committee and with senior officers of the council and partner agencies.
- 3.6 The Council is asked to endorse the plan for referral to the Corporate Parenting Member Officer Group and full Council in June.

4. Measures of success

- 4.1 There are a number of measures of success set out in the plan.

5. Financial impact

- 5.1 The plan will be implemented within current council budget.

6. Risk, policy, compliance and governance impact

- 6.1 The council must publish the plan in order to comply with its duty under the Children and Young People (Scotland) Act 2014.

7. Equalities impact

- 7.1 The plan is designed to promote the interests of Looked After Children, to respect their rights and to encourage their full participation in the development of our corporate parenting approach via the Champions Board.

8. Sustainability impact

- 8.1 There no impact on sustainability arising from the plan.

9. Consultation and engagement

- 9.1 The plan reflects consultation since 2012 with children and young people via our Young People in Care Council and, more recently, the Looked After Children Champions Board.

10. Background reading/external references

- 10.1 N/A

Alistair Gaw

Executive Director, Communities and Families

Contact: Scott Dunbar, Senior Manager, Looked After Children

E-mail: scott.dunbar@edinburgh.gov.uk | Tel: 0131 469 3123

11. Appendices

Appendix 1 - Corporate Parenting Plan

**Edinburgh's
Corporate Parenting Plan
2018 to 2020**

Foreword

Looked after children and young people and care leavers are some of the most vulnerable in our society. They have become looked after for a range of reasons and may have experienced abuse, neglect and trauma before becoming looked after.

The local authority has a duty to make an individual plan to meet the needs of each Looked After Child. In doing so they have a duty to give due consideration to the wishes and feelings of the child/young person and their religious persuasion, racial origin and cultural and linguistic background in line with Getting It Right for Every Child.

The Edinburgh Children's Partnership is committed to improving outcomes for Edinburgh's children and young people, their families and communities. We want outcomes for Looked After Children to be as good as they are for other children in the City of Edinburgh. We recognise that services must work closely and effectively together with each other, and with children, young people and their families to achieve this.

In line with the core principles contained within the Children's Services Plan, the Corporate Parenting Member Officer Group and Leadership Group are committed to ensuring that we place children and young people at the centre of practice; listen to and respond to children and young people, focus on strengths and building resilience; prioritise prevention and improve fairness.

Purpose of this plan

The purpose of this Corporate Parenting Plan is to:

- Set out our vision and direction.
- Describe the outcomes we aim to achieve together in fulfilling our corporate parenting responsibilities.
- Describe the actions required to do this over the next three years.
- Describe the governance and arrangements for monitoring progress on the outcomes.

Introduction to corporate parenting

The purpose of Part 9 (Corporate Parenting) of the Children and Young People (Scotland) Act, 2014 is to safeguard and promote the wellbeing of looked after children and care leavers. Within this, Corporate Parenting is defined as: "the formal and local partnerships between all services responsible for working together to meet the needs of looked after children, young people and care leavers".

Responsibilities

Under section 58 of the Act, which sets out corporate parenting responsibilities, a corporate parent (or group of corporate parents if a joint plan) will:

- Be alert to matters which, or which might, adversely affect the wellbeing of children and young people to whom corporate parenting applies.

- Assess the needs of those children and young people for the services and support they provide.
- Promote the interests of those children and young people.
- Provide those children and young people with opportunities to participate in activities designed to promote their wellbeing.
- Take such action as it considers appropriate to help those children and young people to (i) access the opportunities it provides, and (ii) make use of services, and access support, which it provides.
- Take such action as it considers appropriate for the purposes of improving the way in which it exercises its functions in relation to the children and young people to whom corporate parenting applies.

Corporate parents have a responsibility to uphold the rights and secure the wellbeing of looked after children and care leavers. The responsibilities set out here apply to every child who is looked after, regardless of their age, gender, location or placement type, and apply equally to all care leavers, up to their 26th birthday.

Corporate parents must consult with other corporate parents to prepare and publish a plan on how they propose exercising their responsibilities and must keep this plan under review.

Looked After Children in Edinburgh

Children can become Looked After either through a legal order issued by a Children's Hearing or court, or because their parent has not been able to safely look after them and either cannot be found or has provided consent.

Children can be either Looked After at home or Looked After and Accommodated. "Looked After at home" means that the child is subject to a supervision requirement made by a Children's Hearing. This means that they will have a social worker who works with the child and their family to make a plan to meet the child's needs and keep them safe. "Looked After and Accommodated" means that the child is either in family based care or residential care. Family based care can be a kinship carer (someone already known to the child who is a member of their own family network and is assessed as able to meet their needs) or a foster carer.

Edinburgh has over 1,300 Looked After Children with around 900 care leavers supported by our Throughcare and Aftercare Service.

	Age	0-4	5-10	11-15	16+	Total
Looked After Children as at 31 March 2018		254	406	481	193	1334
Number of Looked After Children at home		72	121	126	19	338
Number of Looked After Children away from home		182	285	355	174	996
of which Foster Care		107	167	216	91	581
Residential		2	3	53	43	101
With Kinship Carers, Friends/Relatives		53	109	82	27	271
With Prospective Adopters		20	6	0	0	26
Secure		0	0	4	3	7
Other		0	0	0	10	10

Edinburgh's corporate parenting approach

Edinburgh has had a Corporate Parenting Action Plan in place since 2012 developed in consultation with Looked After Young People, Care Leavers, Council staff and partner agencies with actions being delivered on six key themes – Leadership; Health and Wellbeing; Education; Employment and Training; Support and Protection; and Accommodation.

The plan is monitored and reviewed by a Member/Officer Group and the Leadership Group. It was updated in 2014 and 2017 and will be incorporated into the Corporate Parenting report submitted to the Scottish Government in 2018 outlining progress.

A Looked After Children Transformation programme was put in place by the Council 2012-17. The programme aimed to reduce the need for children to be looked after and to achieve a shift in the balance of care. In summary, we aspired to meet children's needs through less intrusive or expensive forms of care by maximising support to families.

Edinburgh is aspiring to be a Child Friendly City in which our Looked After Children deserve to achieve best outcomes possible for them. Our aspirations for them should be the same as for our own children as we are their corporate parents.

Strategic planning framework and governance

This plan is aligned to the Edinburgh Children's Partnership Children's Services Plan 2017 to 2020.

In line with the Children's Services Plan, the following five strategic outcomes sit at the heart of our corporate parenting plan:

- Every child will have the best start in life.
- Children and young people's attendance, engagement and achievement will be improved and the poverty related attainment gap will be reduced.
- Every child and young person will have good wellbeing and achieve the best possible health.
- Equity among children and young people and their families will be advanced.
- Children and young people, their families and their communities will be empowered to improve their wellbeing.

The Partnership comprises representatives from City of Edinburgh Council (CEC), the voluntary sector, NHS Lothian, Scottish Children's Reporter Administration (SCRA), Police Scotland and Edinburgh College.

The plan has been put in place by the Corporate Parenting Leadership Group, chaired by the Chief Executive, City of Edinburgh Council, and the Corporate Parenting Member Officer Group which consists of elected members and senior officers from all the agencies named above.

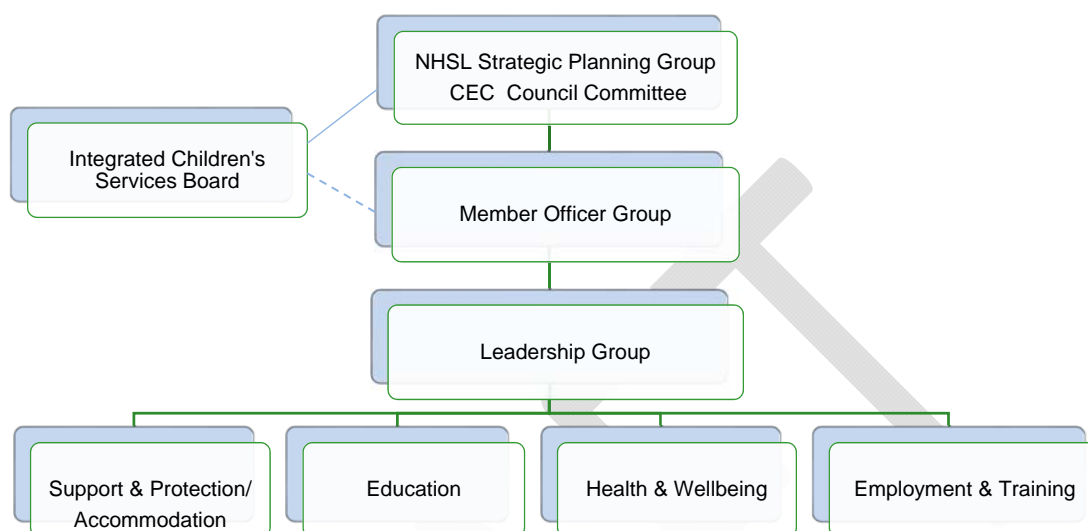
The Member Officer Group plays a key role in the scrutiny of the plan.

The Leadership Group leads on the development, implementation and monitoring of the action plan.

Four sub-groups have been created to take forward the work across the themes and these will report progress on an ongoing basis to the Leadership Group.

Each sub-group will put in place a plan which sets out the outcomes to which we aspire, the actions we will put in place to achieve them and timescales for implementation. The outcomes of the activities of each sub-group will be reported to the Leadership Group and the Member/Officer Group on a biannual basis and will inform the content of the Annual Corporate Parenting Report.

The governance structure is shown in the diagram below.



Background papers/further information

[Children and Young People \(Scotland\) Act 2014 – Education, Children and Families Committee 6 October 2015](#)

[Looked After Children Transformation Programme Progress Report – Education, Children and Families Committee 13 December 2016](#)

[The Children and Young People \(Scotland\) Act 2014](#)

The Action Plan

The plan is structured around the six themes and associated commitments.

1. Leadership

Edinburgh will have clear leadership and governance in place for corporate parenting.

2. Health and Wellbeing

Looked After Children will benefit from access to a range of services designed to meet their emotional, mental and physical needs.

3. Education

Looked After Children will be supported to become confident individuals and successful learners.

4. Employment and Training

Looked After Children will be supported through the transition from care into a positive destination.

5. Support and Protection

Looked After Children will be supported to develop into successful and responsible adults.

6. Accommodation

Looked After Children and care leavers will have access to safe affordable housing.

Theme				
1. Leadership - We will ensure that Edinburgh has clear leadership and governance in place.				
Outcome	Action	Lead	Timescale	Outcome Measure(s)
	CLT to discuss how each service incorporates corporate parenting objectives and performance in their service plan	Andrew Kerr	June 2018	
	Establish a post for care experienced Participation Officer	Scott Dunbar	May 2018	
	Establish a Champions Board	Andy Jeffries	Completed	
All partners are aware of corporate parenting and the achievements of LAC	Develop and deliver a communications plan that raises awareness of corporate parenting	Simon Higgins	December 2018	Communications to raise awareness.
	Annual event to highlight the achievements of LAC and care leavers Communication programme around 2018 the year of the young person	Scott Dunbar/ Linda Lees	December 2018	Group established to coordinate events for the year of the young person. Edinburgh YP's conference to take place in September/October 2018.
	Develop a mentor service in consultation with Young People or Peer Support	Scott Dunbar	December 2018 December 2018	Champions Board and Participation Officer to implement a mentoring service.

Theme

2. Health and Wellbeing - *We will ensure that Looked After Children benefit from access to a range of services designed to meet their emotional, mental and physical needs.*

Outcome	Action	Lead	Timescale	Outcome Measure(s)
LAC and carers access the health services they need	To undertake a review of our delivery model of CEL 16 health assessment delivery and LAC healthcare service to explore if redesign is required to increase reach and to ensure ongoing support for health needs is effective in improving outcomes.	Linda Irvine	June 2018	Increase aim to increase uptake to 100% of LAC population by 2020.
	To reduce waiting time for Child and Adolescent Mental Health Services (CAMHS) and ensure capacity exists within CAMHS and adult mental health services to meet the mental health needs of LAC / LAAC children and young people.	Linda Irvine	Sept 2018	Qualitative feedback from Champions Board that assessment is supportive of health needs.
	To increase the capacity of the Throughcare and Aftercare team to support and provide interventions to meet identified mental needs of young people engaging with them. The Team will be enhanced with the employment of an occupational therapist and clinical psychologist.	Linda Irvine Steve Harte	July 2018	Referral to CAHS will be assessed in a timely and responsive manner. Referral and treatment times for LAC / LAAC will be reported and reviewed.
	All children registered for permanence are subject to a medical prior to registration	Scott Dunbar	Complete	
	Provide Hepatitis B Vaccination to foster carers and residential staff	Scott Dunbar	Complete	
LAC have opportunities	Encourage a range of Edinburgh venues/clubs to ring fence tickets for looked after children including football, rugby, concerts	Russell Sutherland	On going	

Outcome	Action	Lead	Timescale	Outcome Measure(s)
to participate in activities of their choice	Culture services work directly and in partnership with third party organisations to assist access for looked after children to cultural opportunities	Lynne Halfpenny	In place	Increased interventions delivered with TC and AF.
	Looked after children and young adults involved in TcAc are provided with no cost/low cost access to Council supported leisure facilities	Tommy George	Completed	Capacity building of current staff. A full evaluation will be conducted which will focus on "distance travelled" for young people participating in the programme.
Parents are well supported to meet the needs of their children	Enable young people entitled to a school bus pass to receive a full bus pass to encourage extra curriculum activities	Scott Dunbar	December 2018	Numbers of young people receiving full bus pass.
	To introduce an innovative programme of personal development designed for and aimed at young people deemed at risk and already engaged by the Youth Justice System with the Through Care After Care Services as part of the GameChanger Public Social Partnership.	Linda Irvine Steve Harte	October 2018	Numbers of young people taking up personal development programme.
Improve resilience and emotional wellbeing	Expand Family Group Decision to offer care leavers the opportunity to re-establish contact with their families.	Gillian Christian	Done and ongoing	
	'More Good Days' SDS initiative is available to all young people in residential care.	Jude Currie	Done and ongoing	

Theme

3. Education - We will ensure that Looked After Children are supported to become confident individuals and successful learners.

Outcome	Action	Lead	Timescale	Outcome Measure(s)
Looked After Children have good attendance and fulfil their attainment potential	In-school arrangements for child planning, tracking and monitoring of LAC attendance, attainment and positive destinations are in place. 1. Flow chart for process 2. QIO to adapt supported self-evaluation process 3. Adapt professional learning partnerships	Lorna Sweeney	August 2018	LAC Overall attendance in positive destinations. Number/% with low attendance.
	LAC data from each school is shared with the local Children's Practice Team Manager.	Andy Jeffries	August 2018	Exclusion rates. Reported attainment:
	The Children's Practice Team Managers distribute LAC data to individual social workers and team leaders responsible for children, asking that the praise success, reward outstanding success and take action to engage and adjust child plans where concerns are evident.	Sean Bell	August 2018	SCQF awards; Average tariff score Staying on rate.
	Local relationships are in place between schools and social work via a Children's Practice Team Leader linked to every cluster. Regular conversations take place about the progress of Looked After Children in the cluster and actions are taken if plans are not progressing well.	Sean Bell	August 2018	
	Local relationships are in place between Educational Psychologists, Additional Support for Learning service leaders, schools and practice teams. Named individuals contribute to the process above	Martin Vallely	August 2018	

Outcome	Action	Lead	Timescale	Outcome Measure(s)
	These relationships contribute to child planning processes and promote a Self-Directed Support approach to planning for Looked After Children at home. This results in more specific and solution focussed child's plans in which we ask families what it would take to bring about improvements and take appropriate action to achieve them.	Sean Bell	August 2018	Quality of child's plans from case audit.
	Clear procedures in relation to exclusion and part-time timetables are implemented by all schools with support from partners. There is a shared understanding (across schools and their partners) of pathways to support looked after children to progress and achieve their potential in education. A clear approach to monitoring and tracking exclusion. and part-time timetables are implemented by all schools and this is used systematically to support effective child planning and self-evaluation	Gillian Barclay	June 2018	Exclusion data.
	Learning is supported within care placements including appropriate access to IT – residential/fostering.	Scott Dunbar	Completed	Attendance affective.
Looked After school leavers achieve positive destinations	Develop the Hub for SUCCESS (Support for University and College for Care Experienced in South East Scotland) in order to contribute to an increase in progression to higher education for Looked After young people. Manager will be in place and service will become operational in August 2018.	Peter Tormey from Napier University	August 2018	Work experience numbers. Positive destinations.

Outcome	Action	Lead	Timescale	Outcome Measure(s)
	Develop a model for supporting Looked After Children through a senior phase hub and digital learning project	Anna Gray	Senior Phase Hubs scoped and planned by December 2018 and the Digital Learning Project should be widely accessible from September.	Positive destinations.

Theme

4. Employment and Training - *We will ensure that Looked After Children are supported through the transition from care into a positive destination.*

Outcome	Action	Lead	Timescale	Outcome Measure
LAC have access to employment, training and	Commit to an 'Edinburgh Family Firm' <ul style="list-style-type: none"> Work with each directorate to develop supportive work experience and MA opportunities for care experienced young people Encourage employers who engage through Edinburgh Guarantee to offer priority application and interviews 	Susanne Donkin	March 2019	5% of CEC Modern Apprenticeships filled from LAC community

Outcome	Action	Lead	Timescale	Outcome Measure
FE opportunities	<ul style="list-style-type: none"> Develop a wish list of community benefit asks for future procurement opportunities. 			<p>10% of Edinburgh Guarantee commit to Family Firm approach</p> <p>Increased provision of work placements and other opportunities</p>
	<p>Improve the coordination of journeys towards sustainable employment</p> <ul style="list-style-type: none"> Weekly job club established in TCAC, recently expanded to include YPS&TCAC client group Encourage better links with ESS and YPCs to ensure all those who have disengaged from or about to leave school have a clear plan 	Susanne Donkin	Completed and ongoing	<p>Increase in number of YP accessing the job club.</p> <p>Decrease in LAC NEET.</p>
	Develop the Hub for SUCCESS (Support for University and College for Care Experienced in South East Scotland) to contribute to an increase in progression to higher education for care experienced young people	Peter Tormey		Number of YP accessing SAAS funding and completing courses.
	<p>Build Capacity of Employability Providers Around Care Experienced Young People</p> <ul style="list-style-type: none"> Further develop the Care Experienced Employability Providers (CEEP) Forum – currently meets bi-monthly. Staff training and shadowing opportunities shared across the network. 	Susanne Donkin	Ongoing	<p>Smoother transitions for young people.</p> <p>Increase in sustained outcomes.</p>

Outcome	Action	Lead	Timescale	Outcome Measure
	<ul style="list-style-type: none"> Develop and promote accessible online directory of employability support for use by residential staff and other training providers. 			
We are able to identify and monitor LAC progress	<p>Establish More Effective Performance Management Arrangements focussed on improving outcomes for LAC.</p> <ul style="list-style-type: none"> Better information about LAC outcomes and progress to enable earlier intervention when positive destination not sustained – Strategy and Insight, Skills Development Scotland etc More business mentors offering ongoing support to LAC young people to help sustain destinations. 	Susanne Donkin	Mar 2019	More positive destinations and sustained outcomes.

Theme

5. Support and Protection - *We will ensure that Looked After Children are supported to develop into successful and responsible adults.*

Outcome	Action	Lead	Timescale	Outcome Measure(s)
LAC access the services they require	Extend Throughcare/Aftercare drop in services to weekend and out of hours	Steve Harte	July 2018	A Customer Service Excellence process will provide an evaluation of the current service and inform future work style options.
	A comprehensive list of services is available to care leavers	Steve Harte	December 2018	
	Strengthen relationship with Children's Services and Adult Services to support young people in transition	Steve Harte	December 2018	

Outcome	Action	Lead	Timescale	Outcome Measure(s)
	Expand the range of foster care options within CEC resources	Neil Bruce	Completed	Project assigned to a student researcher
	Increase the capacity of the two current MST teams	Pei-I-Yang	Completed	
LAC are safe	Reduce absconding – Police Liaison Group/information sharing	Frank Phelan	On going	Progress has been achieved and a 35% reduction was achieved in 2017. In 2018 there is a further 11% reduction. The Vulnerable Children's Group is meeting weekly to review young people with concerning absconding.
	Put in place measures to consult with young people on their safety and to take actions to improve safety where required.	Scott Dunbar	Completed and on going	Champions Board.

Theme

6. Accommodation - We will ensure that good quality accommodation is provided for all Looked After Children and care leavers have access to safe affordable housing.

Outcome	Action	Lead	Timescale	Outcome Measure(s)
LAC live in high quality residential settings	The physical environments in YP's Centres, Close Support Units and Secure Services are upgraded to the Care Inspectorate standard of Very Good through a rolling programme of planned rebuilding and refurbishment	Scott Dunbar	On going	£120k has been spent on the physical environment at YPCs. Oxgangs replacement will be operational in March 2019.
	Repairs to residential units to be prioritised by property services	Susan Brown	On going	
	The range of safe and suitable accommodation for care leavers is expanded and protected, accompanied by simple to use access systems and detailed information about the tenancy and locality	Steve Harte	Completed and on going	Accredited life skills course <i>Moving Out or Moving In</i> commissioned from Dean and Cauvin Trust.
	Develop additional, flexible training and support for young people moving into independent living	Frank Phelan	Completed	
	Housing support officer in residential service to support young people transition	Steve Harte	Done	
	Council Tax exemption for care leavers	Brian Murphy	To be confirmed	
	Foster carers and Kinship are supported to move to suitable Council accommodation to provide more placements	Karen Allan	On going	

Outcome	Action	Lead	Timescale	Outcome Measure(s)
Carers are supported and children are in the right kind of placement	Setting up home grant is available to all carers leavers	Scott Dunbar	Completed	5 host families are currently recruited with further recruitment campaigns to follow through 2018.
	Recruit community carers for UASC	Russell Sutherland	Completed	
	Increase capacity of Heathervale to deal with crisis and emergency situations to mitigate emergency admissions into residential units	Scott Dunbar	The Residential Review is due to report in December 2018	
	Sign posting for young people to resources is provided by the Young Peoples Hub, designed as a single point of contact.	Complete		

10.00am, Thursday, 28 June 2018

Proposed Compulsory Purchase Orders - Pennywell Town Centre

Item number	8.13
Report number	
Executive/routine	Executive
Wards	4 (Forth)
Council Commitments	1 and 2

Executive Summary

This report seeks Council approval to exercise compulsory purchase powers in relation to three residential and eight commercial properties at Pennywell Road and Pennywell Court, Edinburgh. These properties form part of the Pennywell Town Centre regeneration which is central to the success of the wider award winning 21st Century Homes Pennywell and Muirhouse regeneration which is well underway.

Planning Permission in Principle for the whole site was secured in June 2017 alongside detailed planning permission for the first phase of works. On [30 May 2018](#) the Planning Committee agreed to use compulsory purchase orders for the three residential and eight commercial properties.

A contract is in place with Willmott Dixon Ltd through the national Scape framework, to carry out the redevelopment of the shopping centre and surrounding area with the first phase of demolition and construction well underway.

The regeneration of this area will deliver an additional 13 retail units and 148 flats, 96 of which have been designed to help meet the needs of older people and a high quality civic square.

The Council continues to have constructive dialogue with the owners and leaseholders of the properties to be acquired. The Compulsory Purchase Order (CPO) is required to ensure that the Council meet their contractual obligation to have vacant possession in line with the agreed programme.

The project is being undertaken in a phased manner to allow retail provision to be present throughout the redevelopment.

Proposed Compulsory Purchase Orders - Pennywell Town Centre

1. Recommendations

- 1.1 It is recommended that Council notes the decision of the Planning Committee on [30 May 2018](#) regarding this matter and accordingly:
 - 1.1.1 Agrees to make a CPO for the homes at 41/6 Pennywell Road, 47/9 Pennywell Road and 47/10 Pennywell Road and instructs the Head of Legal, Risk and Compliance to commence proceedings;
 - 1.1.2 Agrees to make a CPO for the commercial leases at 61 Pennywell Road, 59 Pennywell Road, 55a-57 Pennywell Road, 53a Pennywell Road, 39 Pennywell Road, 45a Pennywell Road, 47a Pennywell Road and, 9 Pennywell Court and instructs the Head of Legal, Risk and Compliance to commence proceedings;
 - 1.1.3 Approves the draft CPO at appendix 1 of this report; and
 - 1.1.4 Notes that the Council will continue to seek a negotiated purchase of the homes and leases in parallel with the CPO process.

2. Background

- 2.1 Pennywell/Muirhouse is one of Scotland's largest, most significant, award winning, housing led regeneration projects. The transformation of this area is proving hugely successful with the opening of the new Craigmoynton Community High School in 2010, the Pennywell All Care Centre at the end of 2017 and the construction of over 900 new homes, retail and high quality public realm well underway.
- 2.2 The Central Area Masterplan for Pennywell/Muirhouse received Planning Permission in Principle on 16 August 2012 (Planning reference 12/00996/PPP).
- 2.3 Ongoing consultation as part of the regeneration programme highlights a strong local desire for more extensive redevelopment in order to create a 'civic heart' that can meet the needs of the community both now and in the future. The purchase of the Muirhouse Shopping Centre by the Council in 2014 provided an opportunity to review the scope of potential redevelopment in line with the overall aims and objectives of the regeneration programme.
- 2.4 On [27 October 2016](#) Council agreed to the delivery of a new civic centre for Pennywell/Muirhouse. This included the demolition of 48 existing flatted properties

- (five of which were privately owned) and 25 commercial units. A map of the existing layout is included at appendix 2.
- 2.5 A contract is in place with Willmott Dixon Ltd through the national Scape framework, to carry out the redevelopment of the shopping centre and surrounding area.
 - 2.6 The first phase of demolition and construction is underway. The finished project will include high quality public realm, 13 retail units and 148 flats, 96 of which have been designed to help meet the needs of older people.
 - 2.7 The new Town Centre is designed to meet the needs of the existing and emerging community, bringing physical, social and economic benefits to an area currently undergoing extensive regeneration aimed at reducing inequality.
 - 2.8 Planning Permission in Principle for the whole site was secured in June 2017 alongside detailed planning permission for the first phase of works to the civic square, 12 flats and three retail units (Block 2). Detailed Planning Permission for Phases 2 and 3 was secured on 13 December 2017. A map at appendix 3 shows the numbering of proposed buildings and timescales.
 - 2.9 Phased demolition of the shopping centre commenced in October 2017. Good progress has been made and the first phase of new homes and retail is expected to be ready for occupancy by early 2019.
 - 2.10 On [30 May 2018, Planning Committee](#):
 - 2.10.1 Agreed to pursue a CPO for the homes at 41/6 Pennywell Road, 47/9 Pennywell Road and 47/10 Pennywell Road and instructed the Head of Legal, Risk and Compliance to commence proceedings;
 - 2.10.2 Agreed to pursue a CPO for the commercial leases at 61 Pennywell Road, 59 Pennywell Road, 55a-57 Pennywell Road, 53a Pennywell Road, 39 Pennywell Road, 45a Pennywell Road, 47a Pennywell Road and, 9 Pennywell Court and instructed the Head of Legal, Risk and Compliance to commence proceedings;
 - 2.10.3 Noted that it is intended to submit a draft Compulsory Purchase Order to the next available meeting of the City of Edinburgh Council for authority to exercise compulsory purchase powers; and
 - 2.10.4 Noted that the Council will continue to seek a negotiated purchase of the homes and leases in parallel with the CPO process.

3. Main report

- 3.1 CPO action requires to be commenced now to ensure that titles to three residential and eight commercial properties can be timeously acquired to ensure the contractual programme for the redevelopment of this area is not delayed. The CPO will only be implemented if by the project deadlines, negotiations have not reached amicable agreement.

- 3.2 Since late 2016, the Council has undertaken continued and constructive dialogue with the owners of the properties to be acquired. CPO action is required now to ensure that titles to 41/6 Pennywell Road, 47/9 Pennywell Road and 47/10 Pennywell Road are acquired by the project deadlines set out in appendix 3.
- 3.3 The Council has also, since late 2016, been in dialogue with leaseholders currently occupying retail units in the centre with a view to managing the redevelopment sensitively, so that retail provision is retained throughout the project.
- 3.4 There are eight leases which require termination outwith their current terms. These are:

Phase 2

- | | | |
|-------|-----------------------|-------------------------------|
| 3.4.1 | 59 Pennywell Road | Sara Zarar, Ali's Pizza |
| 3.4.2 | 61 Pennywell Road | Paulo Crolla t/a Gerry's Cafe |
| 3.4.3 | 55a-57 Pennywell Road | Lloyds Pharmacy Ltd |
| 3.4.4 | 53a Pennywell Road | Whitecross Dental Care Ltd |

Phase 3

- | | | |
|-------|--------------------|--|
| 3.4.5 | 39 Pennywell Road | Colin Lai, New Suen Moon Take Away |
| 3.4.6 | 45a Pennywell Road | Greggs plc |
| 3.4.7 | 47a Pennywell Road | Ladbrokes Betting and Gaming Ltd |
| 3.4.8 | 9 Pennywell Court | Tendayi Chengeta t/a EH4 Hair & Beauty |

- 3.5 It is anticipated that the contractor will require vacant possession of the retail units outlined at 3.4.1 – 3.4.4 by early 2019 to allow for Phase 2 demolition to commence. Phase 2 demolition will commence on completion of Phase 1 redevelopment to allow for retailers that have chosen to relocate into Phase 1 from Pennywell Road to do so.
- 3.6 It is anticipated that the retail units at 3.4.5 – 3.4.8 will be required in 2020 or on completion of phase 2, this will permit some retailers from phase 3 to relocate into Phase 2, allowing for demolition of the final Phase 3 to commence.
- 3.7 It is important that the Council achieves vacant possession in line with timeframes outlined above to allow redevelopment to take place within the contractual programme. Negotiations to date have been positive with all commercial tenants whose leases are affected, it is hoped that amicable agreements can be reached in all eight cases.

4. Measures of success

- 4.1 The CPO process is progressed in line with relevant legislation to allow the construction of new homes, retail, and public realm.

- 4.2 Success will be measured through the provision of high quality and sustainable new homes, retail and public realm, creating a new mixed tenure community where people choose to live, work and play.

5. Financial impact

- 5.1 An allowance has been made in the project budget on the basis of available valuations, to calculate the purchase prices.
- 5.2 A further allowance has been made in the project budget for costs associated with relocating tenants and compensating where lease will be terminated early as a result of the development.
- 5.3 These costs were previously approved by Council in the report dated [27 October 2016](#) with an overall project budget of £25.997 million agreed to deliver the regeneration of the Town Centre.
- 5.4 The costs relating to the CPO process itself such as preparation and promotion of the orders will be met from existing Housing Revenue Account budgets.

6. Risk, policy, compliance and governance impact

- 6.1 The Procedure for making and where appropriate confirming most CPOs is contained in The Acquisition of Land (Authorisation Procedure) (Scotland) Act 1947 (the “1947 Act”). Specific Acts of parliament provide the Council with powers to acquire land by CPO in specific circumstances.
- 6.2 Acquiring title by CPO is a complex process, with the 1947 Act putting mechanisms in place to ensure an objecting affected party has a right to be heard and that all affected parties are fairly compensated.
- 6.3 Where a CPO is not objected to, it may be confirmed by Scottish Ministers within months, however, if it is objected to, it may take significantly longer.
- 6.4 If negotiations were to fail in respect of any of these properties without a CPO being commenced now, there is a significant risk to delivery of the programme and therefore to the success of the wider regeneration of the area.
- 6.5 The Council has CPO powers to enable delivery of this redevelopment project in terms of Section 189 (1) of the Town and Country Planning (Scotland) Act 1997. Section 189 (1) allows a local authority, on being authorised by Scottish Ministers, the power to acquire compulsorily any land in their area which is:
- 6.5.1 suitable for and is required in order to secure the carrying out of development, redevelopment or improvement; and
- 6.5.2 required for a purpose which it is necessary to achieve in the interests of the proper planning of an area in which the land is situated
- 6.6 If approved, the order will be advertised with an opportunity for any objections to be made. If objections cannot be resolved, Scottish Ministers will appoint a Reporter

and arrange for a Hearing or Inquiry in respect of the CPO. Subject to the Ministers' satisfaction the order will be confirmed, modified or rejected.

- 6.7 If the CPO is confirmed by Scottish Ministers it will be for the Council to determine whether it is necessary to implement it.

7. Equalities impact

- 7.1 There are no adverse equality issues arising from this report. The purchase of homes previously owned by the Council and the termination of eight leases will allow the completion of a major regeneration project. The CPO process is designed to ensure that individuals rights are protected, the Council is fully engaging with this.
- 7.2 Appropriate support, such as translation services, will be provided to property owners and leaseholders as required.
- 7.3 Construction of 148 new affordable homes will improve the housing opportunities in the area for those on low to moderate incomes.
- 7.4 The 96 homes in Phase 3 include wheelchair and amenity flats to meet tenants' changing needs. This phase will include lifts to maximise accessibility.
- 7.5 The houses will be highly insulated and energy efficient meaning they require less energy to heat and therefore reducing living costs for tenants.
- 7.6 The construction of a new civic square is expected to deliver significant benefits in terms of social cohesion and the placemaking objectives of the wider regeneration of the area.

8. Sustainability impact

- 8.1 Compulsory purchase of the current flats and commercial leases will allow for the development of new energy efficient homes and retail around a new well designed civic square.
- 8.2 Homes will be built to high standards of energy efficiency and sustainability and will help to reduce fuel poverty.

9. Consultation and engagement

- 9.1 Regular engagement continues to take place with homeowners and leaseholders to ensure they are kept informed of progress and timescales of the regeneration project.
- 9.2 The Council opened negotiations with the homeowners in late 2016 to discuss the acquisition of their properties within the project timescales and on mutually agreeable terms.
- 9.3 The Council has continued to provide the commercial tenants with regular updates regarding the redevelopment, progress with planning applications and any associated site works. Throughout this process the Estate Officers have worked to reduce disruption where tenants' businesses have been affected by site activity.
- 9.4 The redevelopment works have been structured in three phases to minimise disruption to the commercial tenants' businesses and to retain an element of retail for the local residents throughout the build period.
- 9.5 The Council has updated the commercial tenants when timescales have been proposed and set for each stage of the demolition. Where tenants will be affected and leases need to be altered or terminated early, the Council opened negotiations with the tenants as early as possible with the aim of reaching an agreement acceptable for both parties by way of a relocation where possible or compensation.
- 9.6 The Ward Councillors, local community and other stakeholders are consulted on the development of plans for the regeneration of the area through regular meetings and public events.

10. Background reading/external references

- 10.1 [Pennywell-Muirhouse Civic Centre Redevelopment, report to Council, 27 October 2016](#)
- 10.2 [Pennywell Muirhouse Masterplan, Report to Development Management Sub Committee, 13 December 2017](#)
- 10.3 [Pennywell Muirhouse Masterplan, Report to Development Management Sub Committee, 14 June 2017](#)
- 10.4 [Proposed Compulsory Purchase Orders – Pennywell Town Centre, Planning Committee, 30 May 2018](#)

Paul Lawrence

Executive Director, Place

Contact: Elaine Scott, Housing Services Manager

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11. Appendices

Appendix 1 – Draft CPO

Appendix 2 – Site plan

Appendix 3 – Indicative Programme

Appendix 1 – Draft CPO

THE CITY OF EDINBURGH COUNCIL

THE TOWN & COUNTRY PLANNING (SCOTLAND) ACT 1997

AND

THE ACQUISITION OF LAND (AUTHORISATION PROCEDURE) (SCOTLAND) ACT 1947

THE CITY OF EDINBURGH COUNCIL (hereinafter referred to as "the acquiring authority") in exercise of the powers conferred on them by Section 189(1)(a) and (b) of the Town & Country Planning (Scotland) Act 1997 and The Acquisition of Land (Authorisation Procedure) (Scotland) Act 1947 hereby make the following compulsory purchase order:-

- (1) This Order may be cited as The City of Edinburgh Council (Pennywell Town Centre) Compulsory Purchase Order 201[8].
- (2) Subject to the provisions of this Order, the acquiring authority in the interests of achieving the proper planning of the area are hereby authorised to purchase compulsorily for the purpose of securing the carrying out of redevelopment of the Muirhouse Shopping Centre and the construction of the new mixed use development comprising the Pennywell Town Centre, the land which is described in the Schedule hereto and which is delineated in red and coloured pink and marked Plots 1, 2 and 3 on the plan 1 and delineated in red and coloured blue and marked Plots 1,2,3,4, 5, 6, 7 and 8 on the plan 2 signed and sealed with reference to this Order and which plans are respectively marked "Plan 1 referred to in The City of Edinburgh Council (Pennywell Town Centre) Compulsory Purchase Order 201[8]" and "Plan 2 referred to in the City of Edinburgh Council (Pennywell Town Centre) Compulsory Purchase Order 201[8].

Given under the seal of the said The City of Edinburgh Council and signed for them and on their behalf by

and duly authorised Proper Officer at

on the

This is the Schedule referred to in the foregoing
The City of Edinburgh Council (Pennywell Town Centre)
Compulsory Purchase Order 201[8].

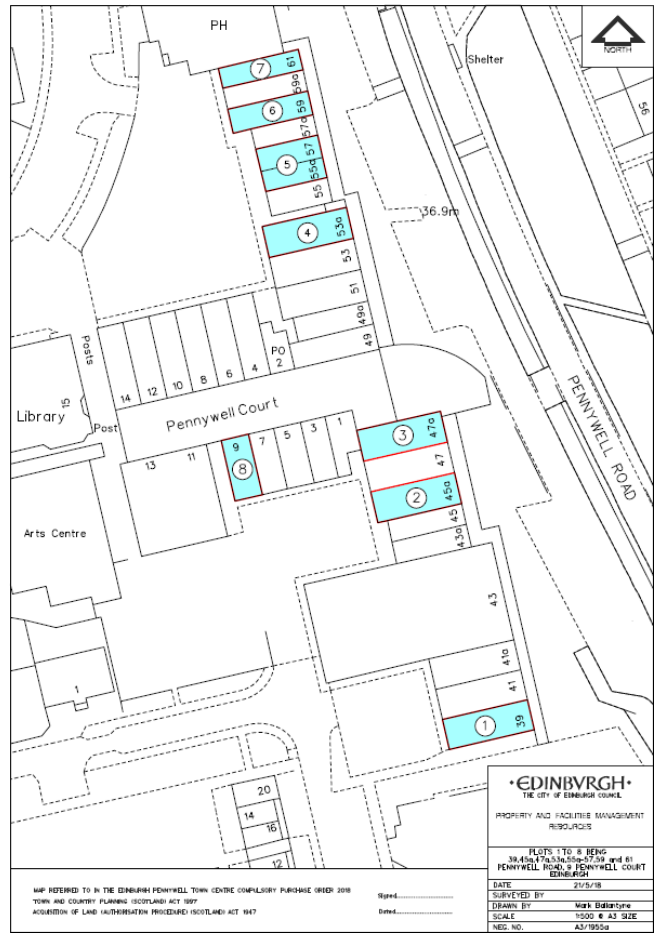
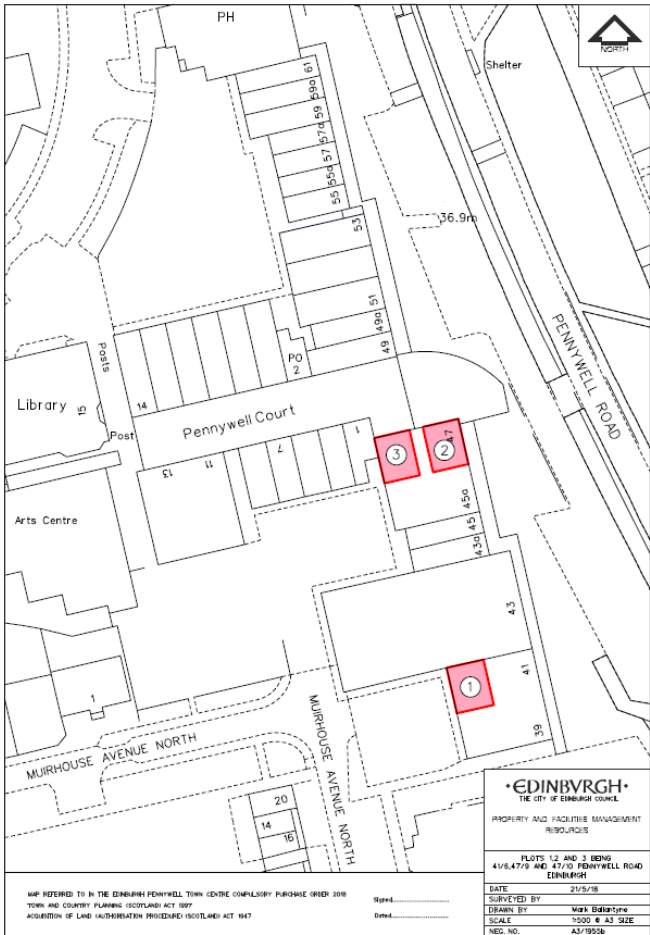
SCHEDULE

(1) All and Whole the 3 plots of land at Pennywell Road Edinburgh including the whole rights pertaining to each interest whether common or exclusive and as shown partly delineated in red and coloured pink and marked Plots 1,2 and 3 on the Plan 1 signed and sealed with reference to this Order and the eight plots of land at Pennywell Road, Edinburgh and Pennywell Court, Edinburgh including the whole rights pertaining to each interest whether common or exclusive and marked Plots 1,2,3,4,5,6,7and 8 delineated in red and marked blue on the Plan 2 signed and sealed with reference to this Order and referred to as Plans 1 and 2 in the City of Edinburgh Council (Pennywell Town Centre) Compulsory Purchase Order 201[8]

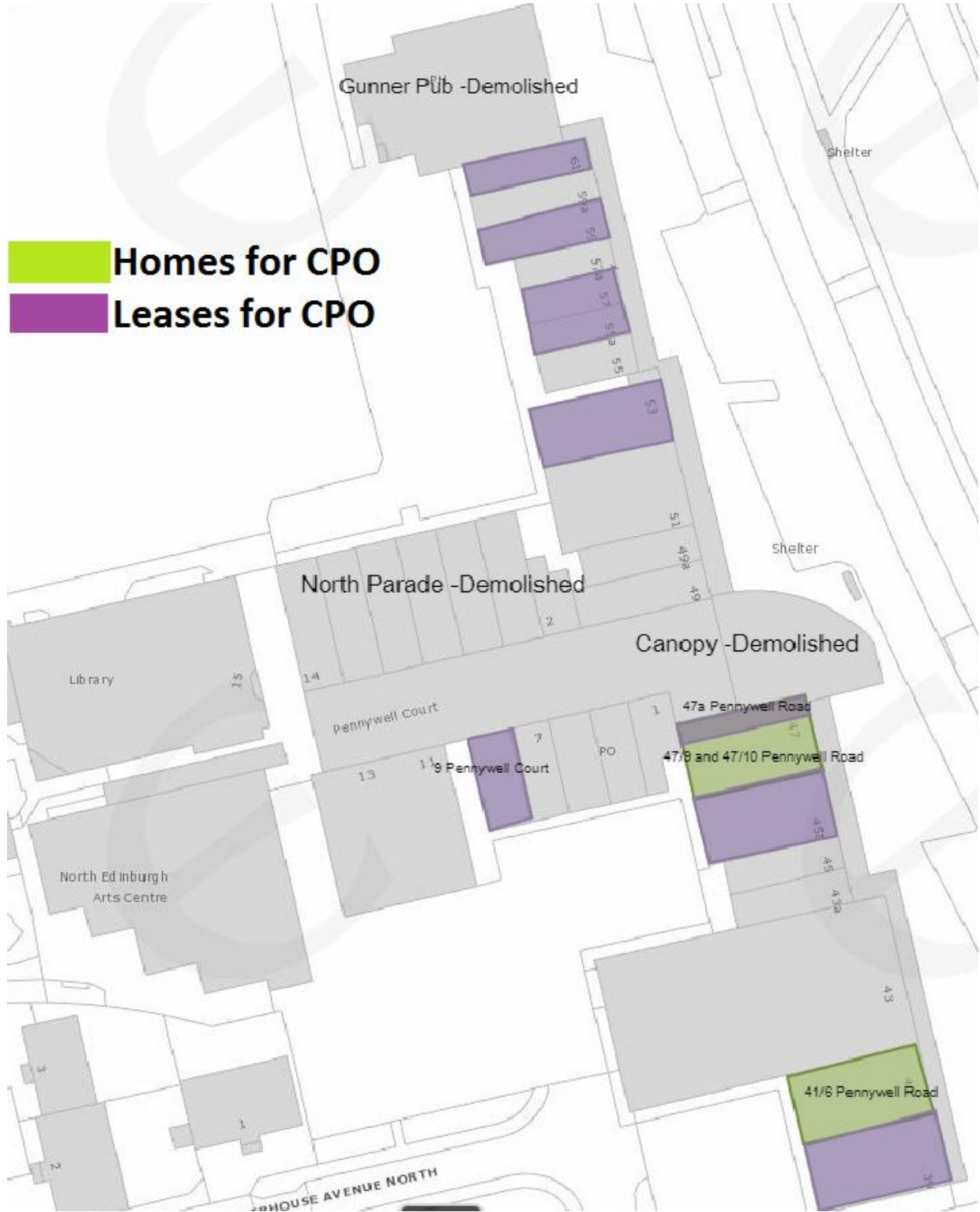
PLOT	DESCRIPTION	OWNER OR REPUTED OWNER	LESSEES OR REPUTED LESSEES AND OCCUPIERS (OTHER THAN TENANTS FOR A MONTH OR LESS PERIOD THAN A MONTH)
Plan1 - 1	41/6 Pennywell Road, EH4 4QR being part of cadastral unit MID164127 forming the northwest dwelling house on the second floor above the ground floor, under title number MID 170810	Azeez Adeyemi Ibitayo Abiodun Adesanya (otherwise known as Azeez Adeyemi Ibi-Tayo Abioudun Adesanya	
Plan 1 -2	47/10 Pennywell Road, EH4 4QR being part of cadastral unit MID164127 forming	Mohammed Salahuddin & Hosnaeara Begum	

	the northwest dwelling house on the third floor above the ground floor, under the title number MID170625		
Plan 1 - 3	47/9 Pennywell Road, EH4 4QR being part of cadastral unit MID159168 forming the northeast most house on the third floor above the ground floor under the title number MID159168	Wojciech Szczupakowski otherwise known as Wojceich Szczupakowski & Magdalena Kozlowska or Szczupakowska	
Plan 2 -1	39 Pennywell Road, EH4	The City of Edinburgh Council	Colin Lai, t/a New Suen Moon Take Away [PRIVATE ADDRESS REDACTED]
Plan 2 -2	45a Pennywell Road, EH4	The City of Edinburgh Council	Greggs plc, Fernwood House, Clayton Road, Jesmond, Newcastle Upon Tyne, NE2 1TL
Plan 2 - 3	47a Pennywell Road, EH4	The City of Edinburgh Council	Ladbrokes Betting and Gaming Ltd Imperial House, Imperial Drive, Rayners lane, Harrow, Middlesex, HA2 7JW
Plan 2 - 4	53a Pennywell Road, EH4	The City of Edinburgh Council	Whitecross Dental Care Ltd Europa House, Europa Trading Estate,

			Stoneclough Road, Kearsley, Manchester, M26 1GG
Plan 2 - 5	55a-57 Pennywell Road, EH4	The City of Edinburgh Council	Lloyds Pharmacy Ltd Sapphire Court, Walsgrove Triangle, Coventry, CV2 2TX
Plan 2 - 6	59 Pennywell Road, EH4	The City of Edinburgh Council	Sara Zarar, t/a Ali's Pizza [PRIVATE ADDRESS REDACTED]
Plan 2 - 7	61 Pennywell Road, EH4	The City of Edinburgh Council	Paulo Crolla t/a Gerry's Café Formerly of [PRIVATE ADDRESS REDACTED] Now of [PRIVATE ADDRESS REDACTED]
Plan 2 -8	9 Pennywell Court, EH4	The City of Edinburgh Council	Tendayi Chengeta, t/a EH4 Hair & Beauty [PRIVATE ADDRESS REDACTED]



Appendix 2 – Site plan



Appendix 3 - Indicative Programme

Phase 1

Block 2 – Demolition commenced October 2017

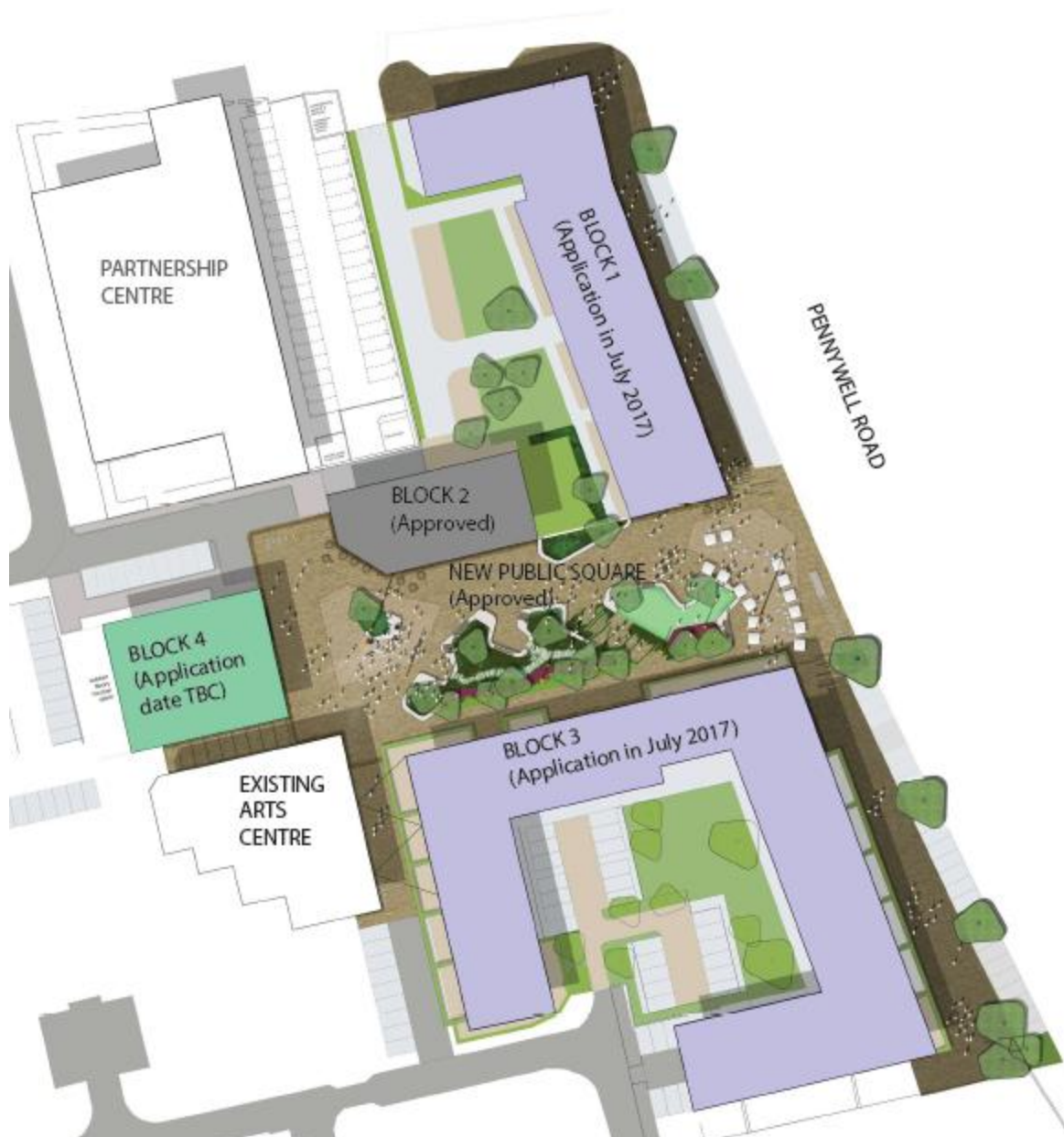
Phase 2

Block 1 – Start date estimated Spring 2019, or on completion of Phase 1

Phase 3

Block 3 – Start date estimated 2020, or on completion of Phase 2

Block 4 – Design development underway



10.00am, Thursday 28 June 2018

Implementation of full cost-charges in care homes for older people managed by the Council - referral from the Finance and Resources Committee

Item number

Report number

Wards

All

Council Commitments

[Executive summary](#)

On 12 June 2018 the Finance and Resources Committee considered a report on a proposed increase in care home charges for existing self-funding residents with effect from 1 September 2018. The report has been referred to the City of Edinburgh Council for approval of this charge.

Terms of Referral

Implementation of full cost-charges in care homes for older people managed by the Council - referral from the Finance and Resources Committee

Terms of referral

- 1.1 On 27 February 2018, the Corporate Policy and Strategy Committee approved the adoption of a new policy in respect of the setting and application of full-cost charges in care homes for older people managed by the Council. The new policy standardised the Council's approach in this area and ensured compliance with relevant legal requirements and statutory guidance going forward.
- 1.2 In approving the policy, members of the Committee also agreed, however, that there should be no adverse impact on existing residents of care homes managed by the Council as a result of its implementation which provided protection to those who currently paid full-cost charges. In April 2018, there were 61 such residents.
- 1.3 Charges for new residents would be set in accordance with the decision made by the Corporate Policy and Strategy Committee in February 2018 by calculating the coming year's estimated unit costs of provision in December each year, and applying them from the following April. Charges for existing residents, however, had been frozen at 2016/17 rates pending the completion of the review of care home charges.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To approve the proposed increase in care home charges for existing self-funding residents with effect from 1 September 2018.
 - 1.4.2 To refer the report to the Council for ratification of the proposed increase in care home charges for existing self-funding residents with effect from 1 September 2018.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to ratify the proposed increase in care home charges for existing self-funding residents with effect from 1 September 2018.

Background reading / external references

Finance and Resources Committee 12 June 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Chief Officer, Edinburgh Health and Social Care Partnership

Finance and Resources Committee

10.00am, Tuesday, 12 June 2018

Implementation of full cost-charges in care homes for older people managed by the Council

Item number	7.2
Report number	
Executive/routine	Executive
Wards	
Council Commitments	

Executive Summary

On 27 February 2018, the Corporate Policy and Strategy Committee approved the adoption of a new policy in respect of the setting and application of full-cost charges in care homes for older people managed by the Council. The new policy standardises the Council's approach in this area and ensures compliance with relevant legal requirements and statutory guidance going forward.

In approving the policy, members of the Committee also agreed, however, that there should be no adverse impact on existing residents of care homes managed by the Council as a result of its implementation, providing protection to those who currently pay full-cost charges. In April 2018, there were 61 such residents.

The Council has previously approved a policy whereby most discretionary charges are increased annually at rate of 2% over the prevailing Retail Price Index (RPI). As of March 2018, the RPI rate was 3.3%. On this basis, and in recognising that charges for self-funding residents have not been increased since April 2016, it is proposed that these be increased by 5% with effect from 1 September 2018.

Implementation of full cost-charges in care homes for older people managed by the Council

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to approve the proposed increase in care home charges for existing self-funding residents with effect from 1 September 2018 and to refer this report to Council for ratification of this change.

2. Background

- 2.1 On 27 February 2018, the Corporate Policy and Strategy Committee approved the adoption of a new policy in respect of the setting and application of full-cost charges in care homes for older people managed by the Council. The new policy standardises the Council's approach in this area and ensures compliance with relevant legal requirements and statutory guidance going forward.
- 2.2 In approving the policy, members of the Committee also agreed, however, that there should be no adverse impact on existing residents of care homes managed by the Council as a result of its implementation, providing protection to those who currently pay full-cost charges. In April 2018, there were 61 such residents.

3. Main report

- 3.1 The Council currently:
- manages nine care homes in premises owned by the Council;
 - manages Gylemuir as an interim care unit in a building leased from BUPA; and
 - commissions Four Seasons to manage two care homes in premises owned by the Council.
- 3.2 All care home residents aged over 65 are entitled to have the personal care and nursing elements of care home fees met by the state, leaving them liable to meet the remainder of the charge. The actual charge to be paid by an individual is means-tested and calculated in accordance with the guidance set out in the Charging for Residential Accommodation Guidance (CRAG) issued by the Scottish

Government. Any resident with capital and/or assets in excess of £27,250 is required to pay the full cost of their care (less the free personal and nursing care elements) until their capital falls below this threshold.

- 3.3 Cost-modelling work undertaken by Finance staff in 2016 identified significant variation in (then) charging rates according to both the type of care provided and by care home facility, with the actual full costs being incurred much more closely aligned to (higher) fees within the independent sector. Whilst recognising the importance of adopting the underlying principles of consistency and equity through full-cost charging for all residents in Council-run homes, members of the Committee also recommended that appropriate safeguards be put in place for existing residents.
- 3.4 On this basis, charges for **new** residents will be set in accordance with the decision by the Corporate Policy and Strategy Committee in February 2018 i.e. by calculating the coming year's estimated unit costs of provision in December each year, with application from the following April. Charges for **existing** residents, however, have been frozen at 2016/17 rates pending completion of the review of care home charges.
- 3.5 The Council has previously approved a policy whereby most discretionary charges are increased annually at rate of 2% over the prevailing Retail Price Index (RPI). As of March 2018, the RPI rate was 3.3%. On this basis, and in recognising that charges have not been increased since April 2016, it is proposed that these be increased by 5% with effect from 1 September 2018 for existing self-funding residents. Application of this level would result in weekly increases of between £35 and £58, dependent upon the individual's precise care needs.

4. Measures of success

- 4.1 A consistent and equitable approach is taken to setting charges for those residents of care homes for older people managed by the Council who are liable to meet the full cost of their care.

5. Financial impact

- 5.1 The proposals approved by the Corporate Policy and Strategy Committee on 27 February 2018 ensure that, going forward, the Council recovers the appropriate level of income from charges relating to the provision of residential care as set out in the CRAG guidance. The proposals also ensure a consistent and equitable approach to setting rates for those clients that are liable to meet the full cost of their care.
- 5.2 All relevant factors remaining equal, going forward it is anticipated that income received from residents' recoveries will increase. The extent of this increase will, however, be affected by such factors as the level of employee pay award, increases in other operating costs and the number of self-funding clients.

6. Risk, policy, compliance and governance impact

- 6.1 Continuing alignment of fees to CRAG guidance will ensure that the Council is compliant with relevant statutory guidance in relation to determining the full cost of service provision. The proposals will also ensure that a consistent and equitable approach is taken to setting and applying full cost charges for accommodation managed by the Council.

7. Equalities impact

- 7.1 Full adoption of, and alignment to, the CRAG guidance will ensure that all residents in care homes managed by the Council who are liable to meet the full cost of their care continue to be treated equitably.

8. Sustainability impact

- 8.1 There is no sustainability impact arising directly from this report.

9. Consultation and engagement

- 9.1 Subject to Committee and Council's approval, a communications plan is being developed to advise residents, their families and staff within Health and Social Care of the changes and to respond to any specific concerns they may have.

10. Background reading/external references

10. [Full cost charges in care homes for older people managed by the Council](#), Corporate Policy and Strategy Committee, 27 February 2018

Judith Proctor

Chief Officer, Edinburgh Health and Social Care Partnership

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11. Appendices

None.

The City of Edinburgh Council

10.00am, Thursday 28 June 2018

Spend to Save – Funding Applications - referral from the Finance and Resources Committee

Item number	8.15
Report number	
Wards	All
Council Commitments	

Executive summary

On 12 June 2018 the Finance and Resources Committee considered a report on the agreement in-principle by Council, as part of the approved budget motion for 2018/19, to use Spend to Save Funding to take forward investment in two projects concerned with LED lighting in public spaces and buildings (indicative allocation £0.300m) and cultural venue equipment (indicative allocation £0.200m) respectively. The report has been referred to the City of Edinburgh Council for ratification of the use of the Fund for the projects concerned.

Terms of Referral

Spend to Save – Funding Applications - referral from the Finance and Resources Committee

Terms of referral

- 1.1 Light-Emitting Diode (LED) lamps were now recognised as being more efficient and cheaper to run than previous forms of lighting. They used significantly less electricity than many standard lamps, whilst lasting up to ten times longer, thereby reducing maintenance costs. Savings would be calculated based on both electricity and maintenance savings.
- 1.2 The Usher Hall was a key venue for the Edinburgh International Festival and the Hall's service offering was in need of modernisation when compared to other venues. Installing a modern system would meet the technical requirements of various events and it was estimated that the associated investment of £80,000 would generate income from related rentals to cover costs.
- 1.3 With an improved technical offer, rentals could be extended to generate additional income of £16,000 per annum from existing business use from graduation ceremonies, comedy/spoken word events, orchestral film concerts and lectures which would result in a payback period of no longer than five years.
- 1.4 The Finance and Resources Committee agreed:
 - 1.4.1 To approve the Spend to Save applications.
 - 1.4.2 To refer the report to the Council for ratification of the use of the Spend to Save Fund for the projects concerned.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to ratify the use of the Spend to Save Fund for the projects concerned.

Background reading / external references

Finance and Resources Committee 12 June 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00a.m, Tuesday 12 June 2018

Spend to Save - Funding Applications

Item number	7.5
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

As part of the approved budget motion for 2018/19, Council agreed in-principle use of the Spend to Save Fund to take forward investment in two projects concerned with LED lighting in public spaces and buildings (indicative allocation £0.300m) and cultural venue equipment (indicative allocation £0.200m) respectively. In agreeing this in-principle funding, it was indicated that more detailed proposals would be reported to a subsequent meeting of the Finance and Resources Committee. This report provides further details of the projects concerned.

Spend to Save - Funding Applications

1. Recommendations

- 1.1 It is recommended that members of the Finance and Resources Committee:
- 1.1.1 Consider the undernoted Spend to Save applications and, subject to approval, refer this decision to Council for ratification of use of the Fund for the project(s) concerned.

2. Background

- 2.1 As part of the approved budget motion for 2018/19, Council agreed in-principle use of the Spend to Save Fund to take forward investment in two projects concerned with LED lighting in public spaces and buildings (indicative allocation £0.300m) and cultural venue equipment (indicative allocation £0.200m) respectively. In agreeing this in-principle funding, it was indicated that more detailed proposals would be reported to a subsequent meeting of the Finance and Resources Committee.

3. Main report

Light-Emitting Diode lighting in public spaces and buildings

- 3.1 Light-Emitting Diode (LED) lamps are now recognised as being both more efficient and cheaper to run than previous forms of lighting. They use significantly less electricity than many standard lamps, whilst lasting up to ten times longer, thereby reducing maintenance costs.
- 3.2 It is proposed that targeted lighting and lighting control upgrades be carried out in operational properties within the Council estate. Qualifying projects will be prioritised based on the following criteria:
- financial and resource savings;
 - carbon and sustainability benefits (specifically reductions in electricity consumption and waste materials);
 - level of improvement to the fabric of the building; and
 - level of improvement to internal/external light levels.
- 3.3 Savings will be calculated based on both electricity and maintenance savings. Funding will be provided for projects with up to a five-year simple payback period. Whilst many projects will deliver payback within this period, where project costs

exceed the standard five-year payback, alternative funding will be sourced from appropriate property funds based on their contribution to improving fabric and internal/external light levels and associated health and safety requirements.

3.4 Projects will focus on three main areas:

1. External Lighting

External lighting is present across the Council estate to illuminate buildings for both access and security throughout the hours of darkness (around 5,000 hours per year). There can be large energy savings by upgrading to low-energy LED lamps and introducing daylight controls to ensure lights are only on during darkness.

2. Internal High-Level Lighting

The Council has several large buildings with high-level lighting, such as depots and stores. These lamps are predominantly high-output fittings due to the distance to the working area below. Due to the short lamp life of older fittings and the requirement for access platforms, maintenance costs can be high. The installation of LED lamps can therefore deliver significant energy and maintenance savings.

3. Public-Facing Buildings

Buildings with long operational hours such as offices, community centres and cultural venues are ideal venues for LED lighting upgrades. Where older lighting is currently in place, new lighting will help to improve the internal environment, reduce energy and maintenance costs and visual appearance.

3.5 The project links with the Council's overarching objective of delivering a sustainable future. It also aligns with the Coalition Commitment to improve Edinburgh's air quality and reduce carbon emissions. The project will reduce emissions associated with the generation of electricity, decrease maintenance costs and lower the volume of waste sent to landfill.

3.6 It is proposed that the financial investment of £0.300m be phased equally over two years. LED lamp life will vary depending on the type of lamp and hours of use. In some buildings lamps may last three to five years whereas in others, they will last over ten years. Therefore, an average five-year life has been assumed, with a depreciation factor of 0.8 applied. A 3% year-on-year increase in utility and maintenance costs has been included in the calculations.

3.7 It has been estimated that 80% of savings will come from reduced energy expenditure and the remaining 20% from maintenance savings, however this ratio will vary from project to project. Taken together, these will allow for a payback period of no more than five years but with opportunities examined to accelerate this repayment profile, subject to the projects taken forward. The project will be

delivered through the existing Technical Services Team within Facilities Management.

Usher Hall public address system

- 3.8 The Usher Hall has an ad hoc mix of public address system installations, ranging from wall-mounted speakers fitted in 1999 to a rented sound desk and various connecting leads/microphones. Investment in larger systems has been avoided because touring bands bring their own specific requirements or equipment is rented in to meet those needs.
- 3.9 The Hall has witnessed a large increase in business use since 1999 and, therefore, requests for spoken word events ranging from graduation ceremonies to lectures as well as orchestras wishing to supplement their sounds with electronic instruments and/or film scores on cinema screens. As a key venue for the Edinburgh International Festival, the Hall's service offering is in need of modernisation when compared to other venues. It wishes to install a modern system to meet the technical requirements of these events and estimates that the associated investment of £80,000 would generate income from related rentals to cover the costs.
- 3.10 With an improved technical offer, rentals could be extended to generate additional income of £16,000 per annum from existing business use from graduation ceremonies, comedy/spoken word events, orchestral film concerts and lectures, resulting in a payback period of no longer than five years. In addition, when the Usher Hall programmes its own concerts, the cost of hiring a suitable public address system can be upwards of £2,000 per show. The resultant cost saving resulting from outright purchase (i.e. avoided hire costs) could also be used to contribute towards the cost of the system, thereby shortening the payback period.
- 3.11 There will also be an environmental and local traffic benefit with less requirement for truck based deliveries to the venue.
- 3.12 The proposed investment would contribute positively to the following Coalition commitments:
- 2. Create the conditions for businesses to thrive. Invest in supporting businesses, social enterprise, training in hi tech, creative and other key sectors including co-operatives. Help link business with young people to ensure the workforce of the future is guaranteed work, training or education on leaving school.
 - 46. Continue to support the city's major festivals which generate jobs and boost local businesses and increase the funding for local festivals and events. Support the creation of further work spaces for artists and craftspeople.

Usher Hall poster sites

- 3.13 The Usher Hall is embarking on a new business model and plan which aims to move towards a largely digital content approach to delivering its marketing and communications to the public. With over 210 performances each year and its status as the key concert venue for the Edinburgh International Festival, it spends a substantial sum creating print such as brochures, leaflets and posters.
- 3.14 With over 70% of its ticket sales now being generated online through the website and ticketing system, the plan is to use Spend to Save fund investment of £120,000 to create a more coherent route through its sales channels. The anticipated return on investment would come from increasing income from renting space on the new digital sites and redirecting existing spend on physical assets (print, leaflets and posters) to digital ones (digital poster boards, website and online marketing).
- 3.15 The Hall currently generates c. £5,000 per year from clients renting the existing static poster sites. It is anticipated that this figure could be increased to c £15,000 through the move to digital boards. The sites would be used exclusively for cultural activity taking place in the area of the Usher Hall, Lyceum Theatre, Traverse Theatre and Filmhouse. They could also be used for wider cultural advertising across the city and potentially branding/sponsorship opportunities where relating to cultural/festival/concert support.
- 3.16 Spend on producing physical marketing assets is in the region of £40,000 per annum. Whilst there would be a continued need for some physical print, the service would redirect £14,000 of this sum towards the upfront cost of the project. Taken together, the £10,000 of additional income and £14,000 of redirected current spend on print, leaflets and posters would result in annual savings of £24,000 and a five-year payback period.
- 3.17 Alongside supporting the direction of travel of the business model, the project would also contribute positively towards the Council's environmental agenda. The Hall currently prints and distributes over 30,000 brochures, leaflets and posters during the year, and more coherent digital marketing model will reduce the paper usage as well as van based delivery/distribution methods.
- 3.18 As with the complementary planned investment in upgrading the public address system, approval would contribute positively to Coalition Commitments 2 and 46 as noted above.

4. Measures of success

- 4.1 Subject to approval, the projects deliver the financial, service and environmental benefits set out within the respective business cases.

5. Financial impact

- 5.1 Assuming approval, £0.500m of funding will be drawn down from the Spend to Save fund, with this investment then repaid over five years. This sum can be fully accommodated based on current Fund commitments.

6. Risk, policy, compliance and governance impact

- 6.1 The projections within the respective business cases have been subject to review by Finance staff and potential mitigating actions developed should resulting savings vary from these assumptions. Any overall shortfall in delivery of savings will fall to be met by the service concerned.

7. Equalities impact

- 7.1 While the Usher Hall poster sites initiatives will place much greater emphasis on digital media, an element (albeit much-reduced) of traditional printed materials will be retained. The impact of these changes will be kept under review.

8. Sustainability impact

- 8.1 Assuming approval, additional investment in LED lighting and digital media will contribute positively to reductions in energy consumption-linked carbon emissions, printed materials and volumes of waste sent to landfill.

9. Consultation and engagement

- 9.1 There is no direct relevance to the report's contents.

10. Background reading/external references

- 10.1 None.

Stephen S. Moir
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11. Appendices

None.

The City of Edinburgh Council

10.00am, Thursday 28 June 2018

King's Theatre – request for Additional Capital Funding by Capital Theatres - referral from the Finance and Resources Committee

Item number	8.16
Report number	
Wards	All
Council Commitments	

Executive summary

On 12 June 2018 the Finance and Resources Committee considered a report requesting up to £5 million additional capital funding, supported prudentially by Capital Theatres, towards redevelopment of the King's Theatre, subject to funding being raised to meet the remaining costs. The report has been referred to the City of Edinburgh Council for ratification of the additional capital funding.

Terms of Referral

King's Theatre – request for Additional Capital Funding for Capital Theatres - referral from the Finance and Resources Committee

Terms of referral

- 1.1 The King's Theatre was in proven need of major redevelopment to ensure it continued to operate and provide public access to a core city theatre programme and maintain the building's prime heritage. This included essential physical access and fundamental improvement to both back and front of house and key technical improvements that would bring the theatre into the 21st century and would ensure its future.
- 1.2 Capital Theatres aimed to transform the historic building and programme a range of previously unavailable community and educational activities to ensure access to the widest possible audience and to guarantee the future social and cultural presence and heritage of the building. The project would also provide improved income opportunities for re-investment into the theatre programme of activities. The capital project budget was £25m and Council had already approved a £4m contribution, which was included in the Capital Investment Programme.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To approve the request in respect of additional funding for the King's Theatre from Capital Theatres.
 - 1.3.2 To refer the report to the Council for ratification of the use of additional funding for the King's Theatre from Capital Theatre.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to ratify the use of additional funding for the King's Theatre from Capital Theatre.

Background reading / external references

Finance and Resources Committee 12 June 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday 12 June 2018

King's Theatre – request for additional capital funding by Capital Theatres

Item number	7.13
Report number	
Executive/routine	Executive
Wards	
Council Commitments	C46

Executive Summary

This report sets out a request for up to £5m additional capital funding, supported prudentially by Capital Theatres, towards redevelopment of the King's Theatre, subject to funding being raised to meet the remaining costs.

King's Theatre – request for additional funding by Capital Theatres

1. Recommendations

- 1.1 It is recommended that members of the Finance and Resources Committee:
 - 1.1.1 Consider the request in respect of additional funding for the King's Theatre from Capital Theatres and, subject to approval, refer this decision to Council for ratification for the prudentially supported funding, noting that this will only be released to Capital Theatres if sufficient funds are raised to meet the overall costs of the project.

2. Background

- 2.1 The King's Theatre is 110 years old and in proven need of major redevelopment to ensure it continues to operate and provide public access to a core city theatre programme and maintain the building's prime heritage. This includes essential physical access and fundamental improvement to both back and front of house and key technical improvements bringing the theatre into the 21st century and ensuring its future.
- 2.2 Capital Theatres aims to transform the historic building and programme a range of previously unavailable community and educational activities to ensure access to the widest possible audience and to guarantee the future social and cultural presence and heritage of the building. The project will also provide improved income opportunities for re-investment into the theatre programme of activities. The capital project budget is £25m, and Council has already approved a £4m contribution, which is included in the Capital Investment Programme.
- 2.3 Capital Theatres undertakes to maintain the venue following the works via its Theatre Development Fund (a small fee on every ticket sold is allocated to this fund for venue maintenance and investment).
- 2.4 The redevelopment would have a major economic impact. The capital project would inject £24m one-off economic impact into the Scottish economy and £11m into Edinburgh's economy, and after project completion, the King's Theatre would create £15.7m economic impact per year into the Edinburgh and a further £10m into the wider Scottish economy.

3. Main report

- 3.1 Redevelopment costs for the King's Theatre are estimated at £25m. Council has already approved £4m contribution towards the costs, subject to funds being raised to meet the remaining costs.
- 3.2 Capital Theatre's has approached the Council for further support of up to £5m, provided on a prudential basis, with the associated annual borrowing costs being met by Capital Theatres, through its Theatres Development Fund. Release of these funds, should this contribution be approved, would also be subject to funds being raised to meet the remaining costs.
- 3.3 The Theatres Development Fund is based on a levy included in ticket prices and is a designated reserve to be used towards the upkeep and improvement of the venues. The levy currently stands at £1.50 per ticket (£1.00 for children's shows, including the pantomime) and applies to most ticketed events. The estimated income in 2018/19 is £0.57m, reflecting the popularity of shows like War Horse and Les Misérables. Income will reduce during the period of closure, however, a significant increase in attendances is forecast post redevelopment of the King's.
- 3.4 Capital Theatres is planning a £5m contribution from its own reserves towards the project, and is also undertaking a range of fund raising measures. Securing up to £5m of prudential support would enable Capital Theatres to approach the National Heritage Lottery Fund for further support.
- 3.5 Capital Theatres appointed a Director of Development in January 2017 and has recruited a strong team to help raise the remaining funds required from a wide range of benefactors, including Trusts and individuals.

4. Measures of success

- 4.1 The King's Theatre is redeveloped in accordance with the approved plans
- 4.2 Capital Theatres contributes effectively to the delivery of the Council's Business Plan.
- 4.3 The Services and Funding Agreement ensures performance reporting requirements are monitored and met.
- 4.4 Success is also measured against the following objectives within the Culture Plan:
 - ensure that everyone has access to world class cultural provision;
 - encourage the highest standards of creativity and excellence in all aspects of cultural activity;
 - support greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round; and
 - articulate the positive impact of culture in Edinburgh and promote Edinburgh's cultural success locally, nationally and internationally.

5. Financial impact

- 5.1 Capital Theatres has requested an additional funding of up to £5m towards the costs of the redevelopment of the King's Theatre. The maximum overall loan charges associated with this borrowing over a 20-year period would be a principal amount of £5m, interest of £1.830m, resulting in a total cost of £6.830m based on the current PWLB rate for a 20-year loan of 3%. The loan will be repayable over a 20-year period at an annual cost of £341,488. These costs can be met from the annual income received by the Theatres Development Fund.

6. Risk, policy, compliance and governance impact

- 6.1 Release of any approved additional contribution is dependent on sufficient funds being raised to meet the remaining costs of the redevelopment programme.
- 6.2 The nature of this capital project means that there is an inherent risk of delays of unforeseen circumstances outwith the control of Capital Theatres.
- 6.3 There is a risk that Capital Theatres will be unable to meet the annual repayment associated with borrowing from the Theatre Development Fund. This is mitigated by (i) the current level of income exceeding the repayment by £0.2m and (ii) there is the potential to increase the levy if required.

7. Equalities impact

- 7.1 Capital Theatres actively promotes access to services for different equalities groups; provides data on the level of use of services by equalities groups; provides evidence of quality analysis relating to equality groups.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the planned project includes expenditure impacting upon carbon through the redevelopment of the King's Theatre.

9. Consultation and engagement

- 9.1 None.

10. Background reading/external references

- 10.1 None.

Stephen S. Moir

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11. Appendices

None.

10.00am, Thursday 28 June 2018

Code of Conduct on the Use of Volunteers at Festivals and Events – referral from the Culture and Communities Committee

Item number	8.17
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	46

Executive Summary

On 19 June 2018 the Culture and Communities Committee considered the attached report by the Executive Director of Place in response to a motion by Councillor Staniforth on a code of best practice on the use of volunteers at events.

The report has been referred to the Council for approval of the Code of Conduct as policy for inclusion, where relevant, within procurement.

Terms of Referral

Code of Conduct on the Use of Volunteers at Festivals and Events – referral from the Culture and Communities Committee

1. Terms of Referral

- 1.1 Volunteering at Festivals and Events offers a number of benefits to participants, attendees and event organisers. Major events and Festivals often run volunteer programmes that allow participants to get involved in major events to meet new people, build new skills (either for personal or career development), take on new challenges, or to give back to their local community or area.
 - 1.2 While volunteering is undertaken on a non-contractual basis, it is important that volunteers are treated fairly and benefit from the experience. In order to protect the volunteer and the organisation, a code of practice has been developed to clearly define what is expected of organisations who use volunteers, how the volunteers should be treated, what benefits should be available and to ensure that volunteer roles are not used to replace paid employment, including paid staff involved in industrial disputes.
 - 1.3 Officers in the Culture service worked with Festivals Edinburgh to deliver a code of practice that could be applied across all festivals and events. This code had been assessed against existing guidelines from Volunteer Edinburgh and Volunteer Scotland to ensure that they were aligned.
- 1.1 The Committee agreed:
 - 1.1.1 To approve the Code of Conduct.
 - 1.3.2 To refer the report to the City of Edinburgh Council to approve the Code of Conduct as policy for inclusion, where relevant, within procurement.

2. For Decision/Action

- 2.1 The Council is requested to approve the Code of Conduct as policy for inclusion, where relevant, within procurement.

Background reading/external references

Culture and Communities Committee 19 June 2018

Laurence Rockey

Head of Strategy and Insight

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3. Appendices

Appendix 1 – Report by the Executive Director of Place

Culture and Communities Committee

10.00am, Tuesday, 19 June 2018

Code of Practice on the Use of Volunteers at Festivals and Events

Item number	8.2
Report number	
Executive/routine	
Wards	All
Council Commitments	46

Executive Summary

A motion by Councillor Staniforth to the Culture and Communities Committee on [30 January 2018](#) called for a code of best practice on the use of volunteers at events to be proposed within one Committee cycle. An update report was provided to this Committee on [20 March 2018](#).

Officers within the Culture service have developed a Code of Conduct with Festivals Edinburgh and the 11 major Festivals to ensure that a consistent code of practice can be proposed across all events and Festivals. It brings together existing volunteering policies from across the Festivals and aligns them with good practice guidelines from Volunteer Edinburgh and Volunteer Scotland.

This report provides a Code of Conduct on the Use of Volunteers at Festivals and Events.

Code of Practice on the Use of Volunteers at Festivals and Events

1. Recommendations

- 1.1 It is recommended that Committee:
 - 1.1.1 approves the Code of Conduct; and
 - 1.1.2 refers this report to City of Edinburgh Council to approve the Code of Conduct as policy for inclusion, where relevant, within procurement exercises.

2. Background

- 2.1 Volunteering at Festivals and Events offers a number of benefits to participants, attendees and event organisers. Major events and Festivals often run volunteer programmes that allow participants to get involved in major events to meet new people, build new skills (either for personal or career development), take on new challenges, or to give back to their local community or area.
- 2.2 Festivals Edinburgh also piloted a [Festival City Volunteers](#) programme during the summer Festivals. A presentation to the [12 September 2017](#) meeting of Culture and Communities Committee highlighted the success of this initiative. The initiative is being repeated for summer 2018.
- 2.3 Separate to this, media reports highlighted the need for a consistent set of guidelines on the use of volunteers at events to provide assurance that both volunteers and Festivals and events benefit from the experience and that no paid roles are replaced by volunteers.
- 2.4 A motion by Councillor Staniforth to the Culture and Communities Committee on 30 January 2018 called for a code of best practice on the use of volunteers at events.

3. Main report

- 3.1 Volunteering has become a key element of most major festivals and events, recognising the important role that volunteers provide in welcoming and assisting event attendees and event organisers.

- 3.2 While volunteering is undertaken on a non-contractual basis, it is important that volunteers are treated fairly and benefit from the experience. In order to protect the volunteer and the organisation, a code of practice has been developed to clearly define what is expected of organisations who use volunteers, how the volunteers should be treated, what benefits should be available and to ensure that volunteer roles are not used to replace paid employment, including paid staff involved in industrial disputes.
- 3.3 Officers in the Culture service worked with Festivals Edinburgh to deliver a code of practice that can be applied across all festivals and events.
- 3.4 A number of existing policies from across the Festivals were reviewed to develop one consistent code of practice that can be applied to all Festivals and Events.
- 3.5 This code was assessed against existing guidelines from Volunteer Edinburgh and Volunteer Scotland to ensure that they were aligned.
- 3.6 The code of conduct is comprised of 10 points (see Appendix 1). These are:
 - 3.6.1 Volunteers should give of their time freely, and not through compulsion;
 - 3.6.2 Volunteers are unpaid roles but volunteers should receive reasonable out of pocket expenses;
 - 3.6.3 Volunteer roles should be genuinely additional roles, and not replace paid positions, nor the positions of any paid staff involved in an industrial dispute;
 - 3.6.4 Volunteering roles should benefit the individual volunteer as well as the organisation involved;
 - 3.6.5 Volunteers should be clear about their roles and responsibilities and be provided with a role description outlining key elements of the role;
 - 3.6.6 Volunteers should have access to appropriate training and development and an appropriately trained named contact to provide the necessary support for their role;
 - 3.6.7 Volunteers should have opportunities to contribute to volunteering policies and procedures through feedback;
 - 3.6.8 Volunteers should have access to a mechanism to deal with any grievances that they may have;
 - 3.6.9 Organisations should take all reasonably practicable steps to ensure volunteers' health, safety and welfare while volunteering; and
 - 3.6.10 Organisations should endeavour to involve volunteers from a wide range of backgrounds and abilities and ensure volunteering opportunities are as accessible as possible.

- 3.7 The motion from Councillor Staniforth specifically requested that guidelines on the use of volunteers are applied to the Council's procurement contracts. Updated advice from the Council's Commercial and Procurement Service states that a question on the use of volunteers at Festivals and Events can be included within the evaluation process as part of a question on staffing structures. For example:
- “Please provide details of your staffing structure for delivering this project. Where you intend to offer opportunities for volunteering, the Council has a policy on the use of volunteers at Festivals and Events and your response should demonstrate how you will adhere to this policy.”
- 3.8 In this way, bidders' commitment to the Council's policy on the use of volunteers can be demonstrated and scored as part of the overall procurement process.
- 3.9 In response to concerns raised over the use of volunteers at Edinburgh's Hogmanay, the organisers have commissioned specific research on the use and experience of volunteers at the 2017/18 festival. This data is included in the Edinburgh's Christmas and Edinburgh's Hogmanay Key Performance Indicators report to this Committee.

4. Measures of success

- 4.1 The success of the code of practice will be measured through its adoption as Council policy and across any of the 11 major Festivals that involve volunteers.
- 4.2 The code of practice contributes to the delivery of the following Culture Plan objectives:
- 4.2.1 Support greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round; and
- 4.2.2 Ensure that everyone has access to world class cultural provision.

5. Financial impact

- 5.1 There is no direct financial impact associated with this report.

6. Risk, policy, compliance and governance impact

- 6.1 There are no risk, policy, compliance or governance impacts arising from this report.

7. Equalities impact

- 7.1 The outcome of this report and the code of practice on the use of volunteers will ensure that volunteers are treated equally and without exploitation or discrimination where this exists. The report itself has a positive equalities impact.

8. Sustainability impact

- 8.1 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties and the outcomes are summarised as follows: the proposals in this report will have no significant impact on carbon emissions; be neutral in relation to climate change and will help achieve a sustainable Edinburgh through the promotion of the city nationally and internationally, positive economic impact and contributions to the quality of life and well-being of residents.

9. Consultation and engagement

- 9.1 The Council has engaged with the relevant partners, Trades Unions and Festivals bodies to develop the code of practice.

10. Background reading/external references

- 10.1 [Volunteer Scotland Volunteering Charter](#)
10.2 [Volunteer Edinburgh Good Practice Guide](#)

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11. Appendices

Appendix 1 – Code of Conduct on the use of Volunteers at Festivals and Events

Appendix 1

Code of Conduct on the use of Volunteers at Festivals and Events:

1. Volunteers should give of their time freely, and not through compulsion.
2. Volunteers are unpaid roles but volunteers should receive reasonable out of pocket expenses.
3. Volunteer roles should be genuinely additional roles, and not replace paid positions.
4. Volunteering roles should benefit the individual volunteer as well as the organisation involved.
5. Volunteers should be clear about their roles and responsibilities, and be provided with a role description outlining key elements of the role.
6. Volunteers should have access to appropriate training and development, and an appropriately trained named contact to provide the necessary support for their role.
7. Volunteers should have opportunities to contribute to volunteering policies and procedures through feedback.
8. Volunteers should have access to a mechanism to deal with any grievances that they may have.
9. Organisations should take all reasonably practicable steps to ensure volunteers' health, safety and welfare while volunteering.
10. Organisations should endeavour to involve volunteers from a wide range of backgrounds and abilities and ensure volunteering opportunities are as accessible as possible.