

# Notice of meeting and agenda

## **The City of Edinburgh Council**

**10.00 am, Thursday, 25 October 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**

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- 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**

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- 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**

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- 3.1 If any

## **4. Minutes**

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- 4.1 The City of Edinburgh Council of 20 September 2018 (circulated) – submitted for approval as a correct record

## **5. Questions**

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- 5.1 By Councillor Mary Campbell – Tenders - for answer by the Convener of the Finance and Resources Committee
- 5.2 By Councillor Staniforth – Fair Fringe Charter – for answer by the Convener of the Culture and Communities Committee
- 5.3 By Councillor Laidlaw – Arterial Routes – for answer by the Convener of the Transport and Environment Committee
- 5.4 By Councillor Hutchison – Electrical Installation Condition Report – for answer by the Convener of the Housing and Economy Committee
- 5.5 By Councillor Whyte – Transient Visitor Levy – for answer by the Leader of the Council
- 5.6 By Councillor McLellan - Gas Mains Repairs – Duddingston Road West, Milton Road Junction – for answer by the Convener of the Transport and Environment Committee
- 5.7 By Councillor McLellan - Minibuses – Lothian Buses' Route 69 Service – for answer by the Convener of the Transport and Environment Committee
- 5.8 By Councillor McLellan - Scottish Government's National Consultation with the Scottish Tourism Industry on TVL – for answer by the Leader of the Council

- 5.9 By Councillor Cook - Tranche 1 Capital Works to Address Overdue Essential Maintenance in Schools and Other Council Properties – for answer by the Convener of the Finance and Resources Committee
- 5.10 By Councillor Hutchison – Salvesen Steps – for answer by the Convener of the Transport and Environment Committee
- 5.11 By Councillor Mowat - Missed Bin Collections since 8 October 2018 - for answer by the Convener of the Transport and Environment Committee
- 5.12 By Councillor Hutchison – Hawes Pier Dredging - for answer by the Convener of the Transport and Environment Committee
- 5.13 By Councillor Rust – Garden Tax – for answer by the Convener of the Transport and Environment Committee
- 5.14 By Councillor Rust – Waste Services – for answer by the Convener of the Transport and Environment Committee
- 5.15 By Councillor Bridgman – Community Wing at Craigmount High – for answer by the Convener of the Education, Children and Families Committee
- 5.16 By Councillor Jim Campbell – Recycling – for answer by the Convener of the Transport and Environment Committee
- 5.17 By Councillor Booth – Gaelic Medium Education – for answer by the Convener of the Education, Children and Families Committee
- 5.18 By Councillor Booth – Funding for the Promotion of Gaelic – for answer by the Vice-Convener of the Education, Children and Families
- 5.19 By Councillor Booth – Clearing of Leaves from Cycle Paths and Footpaths – for answer by the Convener of the Transport and Environment Committee

## **6. Leader's Report**

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- 6.1 Leader's report

## **7. Appointments**

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- 7.1 Education, Children and Families Committee - Appointment of Religious Representative – report by the Chief Executive (circulated)

## **8. Reports**

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- 8.1 Chief Officer Roles – report by the Chief Executive (circulated)
- 8.2 Planning Statutory Scheme of Delegation – report by the Executive Director of Place (circulated)

- 8.3 Edinburgh Partnership Community Plan 2018-28 – report by the Chief Executive (circulated)
- 8.4 Rolling Actions Log – report by the Chief Executive (circulated)
- 8.5 City of Edinburgh Council – 2017-18 Annual Audit Report to the Council and the Controller of Audit – referral from the Finance and Resources Committee (circulated)
- 8.6 Wave 4 Infrastructure Investment Programme - referral from the Finance and Resources Committee (circulated)
- 8.7 Revenue Monitoring 2018/19 – Progress Update – referral from the Finance and Resources Committee (circulated)

## **9. Motions**

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- 9.1 By Councillor Staniforth – Top-up Funding for Community Councils

“Council:

Notes that costs for community councils to conduct regular business, and undertake their consultation role, can vary widely, especially in regard to the cost of a meeting hall.

Notes that Portobello Community Council have a demonstrable need for £200 a year extra in order to maintain regular meetings and good community consultation.

Resolves that Community Councils be eligible for a top-up grant of up to £500/year, if they can demonstrate a genuine need.

Agrees to investigate the provision of shared services (web hosting, consultation hub, insurance) as well as support and training for community councillors to avoid having to hire outside expertise (such as for minute-taking) and report back to Culture and Communities committee on those options within 2 cycles.”

- 9.2 By Councillor Main – Council Branding and Advertising Policy

“Council notes:

The Council does not have in place a city branding and advertising policy to inform decisions made about sponsorship and advertising by the council or those contracted to do so on its behalf.

Schools policy on sponsorship was agreed by the Education, Children and Families Committee in 2016.

Under the 2013 Planning Committee decision under 'planning for the city', decisions are informed by the Code of the Advertising Standard Agency only. However also notes further development including, 'neighbourhood plans', referred to in the report have not been brought forward.

Agrees that:

Council advertising and sponsorship should support the strategic aims of the Council, including the health and well-being of citizens.

Where sponsorship and advertising has a direct association with the Council, there is a risk of impact on the Council and city reputation.

Agrees that draft policy on sponsorship and advertising is brought to Corporate Policy and Strategy Committee within 3 cycles."

### 9.3 By Councillor Hutchison – Neo Edinburgh West (New) Town

"Council:

- 1) Recognises the challenges and opportunities facing our City on current trends.
- 2) Notes the formation of the West Edinburgh and Edinburgh Waterfront All Member Oversight Groups in an effort to co-ordinate the work of Council and Committees to enable the growth of our City in a responsible way.
- 3) Thanks officers for the emerging work building understandings and High-Level Delivery Masterplans for the Waterfront.
- 4) Understand the imperative to establish a New Town sense of place in West Edinburgh, and to co-ordinate the efforts of all parties to deliver more homes, office and industrial space while improving infrastructure to the benefit of new and existing residents and businesses.
- 5) Accordingly, asks that officers organise a Conference for all interested parties on the NEW Town concept for Edinburgh by the end of 2018, with a view to establishing common understandings and producing a High-Level Delivery Masterplan by November 2019.
- 6) Looks forward to these High-Level Delivery Masterplans informing the City Plan 2030."

#### 9.4 By Councillor Laidlaw - Kiltwalk

“Council:

- 1) Notes the success of the 2018 Kiltwalk which saw over 20,000 walkers participate in the four Kiltwalks across the country and raised over £4.5million for charity.
- 2) Congratulates the near 5,000 people who participated in the Edinburgh Kiltwalk on 16 September including the Lord Provost.
- 3) Recognises the particular achievement of those who walked in support of the Thistle Foundation, including all four Portobello Craigmillar ward councillors, raising over £4650.
- 4) Agrees for the Lord Provost to write formally to the Thistle Foundation to recognise the organisation’s efforts to raise funds to support people across the city and beyond with long term conditions to live their lives to the fullest.”

#### 9.5 By Councillor Griffiths – 40 Years Edinburgh Rape Crisis Centre

“Asks that Council:

1. Acknowledges the 40th Anniversary of the Edinburgh Rape Crisis Centre;
2. Thanks the Centre for providing 40 years of emotional and practical support, counselling, information and advocacy to thousands of survivors of sexual violence;
3. Welcomes and values the Centre’s ongoing commitment to support survivors, promote prevention and campaign for the change needed to reduce – even eradicate – sexual violence from our society; and
4. Continues to support Edinburgh Rape Crisis in the exemplary work that it does.”

#### 9.6 By Councillor Laidlaw – Testing of P1 Pupils

“Council

- 1) Believes that although good-quality pupil assessment is an essential component of the drive to raise educational standards in Scotland's schools, it acknowledges the will of the recent Parliamentary vote on 19 September to call on the Scottish Government to halt testing of children in their first year of primary school.

- 2) Notes the level of concern which has been raised by teachers, education professionals, parents and MSPs regarding the introduction and delivery of new testing arrangements for Primary 1 pupils;
- 3) Further notes that this parliamentary motion was informed by feedback from parents, children and the EIS teaching union in favour of more play based learning;
- 4) Acknowledges that although formal, standardised testing is essential in Primary 4 and Primary 7, it should not happen in Primary 1 where it cannot deliver the same meaningful results;
- 5) Therefore instructs the Chief Executive to ascertain the options available to us as an Education Authority in relation to suspension of testing of Primary1 pupils and report back to Full Council within 1 cycle.”

9.7 By Councillor Graczyk – Heart of Midlothian FC Disability Awareness Day

“Council:

- 1) Notes, that on 22nd September Heart of Midlothian FC held a Disability Awareness Day as they hosted Livingston FC at Tynecastle Park, with the aim to raise awareness that our supporters can play their part in improving the matchday experience of our supporters who are disabled;
- 2) Further notes, the Club’s Disability Awareness Day ensured that a visit to Tynecastle Park to watch The Jambos was a thoroughly enjoyable and inclusive experience for all, this included:
  - a) Welcoming members from Heart of Midlothian FC Disabled Supporters Club (HDSC), OrCam, Team United and Deafblind Scotland to Tynecastle;
  - b) HDSC assisting with information relating to support for supporters who are disabled;
  - c) OrCam demonstrating some of the world’s most advanced wearable mobile artificial visual aids;
  - d) Team United providing information on the work they do with young people and their families in a bid to assist them with taking part in sport or physical activity;
  - e) DeadBlind Scotland having a presence in the Main Stand and on the Foundation Plaza pre and post-match, where they invited fans to experience football with and without sight and sound;

- 3) Congratulates, the Heart of Midlothian FC and their Disability Access Officer, Keith Ferguson, for one of the best football atmospheres in our City – a Tynecastle for all.”

#### 9.8 By Councillor Graczyk – ACEs Aware Council

“Council:

1. Notes, the term Adverse Childhood Experiences (ACEs) is used to describe a wide range of stressful or traumatic experiences that children can be exposed to whilst growing up. ACEs range from experiences that directly harm a child (such as suffering physical, verbal or sexual abuse, and physical or emotional neglect) to those that affect the environment in which a child grows up (including parental separation, domestic violence, mental illness, alcohol abuse, drug use or incarceration);
2. Recognises, the indisputable link between ACEs and poor health outcomes in later life. A public health approach to childhood distress is crucial to raising the next generation of Scottish children and to helping adults heal, thus limiting the chance for adversity to pass down through generations;
3. Calls, for the City of Edinburgh Council to commit being an ‘ACEs-Aware’ Council, and maintain the high profile of the needs of vulnerable children and young people, especially in the Year of Young People;
4. Commends:
  - a) CEC Children & Families, NHS Lothian, the academic community, and other relevant stakeholders for stimulating awareness and discussion about ACEs;
  - b) Council and relevant stakeholders’ effort for working together to raise awareness and improve policy and practice to prevent ACEs and mitigate their negative impact;
  - c) The imbedding of an understanding of ACEs within every aspect of the Council organisation;
5. Requests, consideration for Elected Members to attend a screening of the documentary film ‘Resilience’, facilitated by someone with knowledge in this area.”

**Laurence Rockey**

Head of Strategy and Insight



## Information about the City of Edinburgh Council meeting

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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

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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](mailto: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](http://www.edinburgh.gov.uk/cpol).

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

## Webcasting of Council meetings

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Generally the public seating areas will not be filmed. However, by entering the Council Chamber and using the public seating area, you are consenting to being filmed and to the use and storage of those images and sound recordings and any information pertaining to you contained in them for web casting and training purposes and for the purpose of keeping historical records and making those records available to the public.

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## The City of Edinburgh Council

Edinburgh, Thursday 20 September 2018

Present:-

### LORD PROVOST

The Right Honourable Frank Ross

### COUNCILLORS

Robert C Aldridge  
Scott Arthur  
Gavin Barrie  
Eleanor Bird  
Chas Booth  
Claire Bridgman  
Mark A Brown  
Graeme Bruce  
Steve Burgess  
Lezley Marion Cameron  
Ian Campbell  
Jim Campbell  
Kate Campbell  
Mary 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

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### Decision

To approve the minute of the Council of 23 August 2018 as a correct record.

## 2 Questions

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

### Declaration of Interests

Councillors Barrie, Bridgman, Dixon, Hutchison, Ritchie and Whyte declared a financial interest in the above item (Question 6) as registered landlords.

Councillor Young declared a non-financial interest in the above item (Question 16) as the parent of a young person attending Kirkliston Primary School.

## 3 Leader's Report

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

- Weather conditions – thanks to staff
- Congratulations to Councillor Cook on becoming a father

The following questions/comments were made:

Councillor Whyte	- Administration's Budget proposals
Councillor Booth	- Budget consultation – powers to Councils from the Scottish Government
Councillor Aldridge	- Thanks to staff for response to weather events - Janitorial costs
Councillor Munro	- Robust representations being made on Council funding, replacement Council Tax, Tourist Tax and seeking allocation of the underspend by the Scottish Government.
Councillor Gardiner	- Impacts on our workforce following Brexit
Councillor Hutchison	- Edinburgh 2050 City Vision – conditions residents face at the moment

Councillor Mary Campbell	-	Provision of public toilets and public drinking fountains
Councillor Lang	-	Proposed cuts to street cleaning and road repairs
Councillor Cameron	-	Execution of commitment to accelerate investment in the upgrade of Council owned high rise stock
Councillor Howie	-	All Under One Banner March – 6 March 2019
Councillor Johnston	-	Council budget cuts
Councillor Ritche	-	Edinburgh Food Project – urgent appeal for donations – Council support for Edinburgh food banks
Councillor Macinnes	-	Edinburgh Bikeshare scheme
Councillor Main	-	Affordable housing
Councillor Dickie	-	New participation officers
Councillor Rust	-	Removal of hybrid buses on Number 10 route

## 4 Elected Member Champions

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The Council had agreed to a review being carried out on elected member champions. Details were provided on the current position with elected member champions.

### **Motion**

- 1) To note the work carried out by Champions contained in the report by the Chief Executive.
- 2) To amend the cycling champion role to an expanded remit of Active Travel Champion.
- 3) To agree that the next Group Leaders' meeting should consider any further changes to the roles and remits of champions, with a report being brought to Council on the proposed changes.
- 4) To agree to a monitoring report on work carried out in one year's time.

- moved by Councillor McVey, seconded by Councillor Day

## Amendment 1

To delete all of the motion and replace with:

Council notes the varying level of details given in the Appendices by the Champions and is concerned that a Report to Full Council does not give sufficient scrutiny of the role and its linkages to Committees and agrees:

1.1. Each Champion is linked to a Parent Committee as detailed in the table below:

Canal	Transport and Environment
Carers	Culture and Communities
Child Poverty	Housing and Economy
Cycling	Transport and Environment
Equalities	Corporate Policy and Strategy
Festivals	Culture and Communities
Gaelic	Education, Children and Families
Homelessness	Housing and Economy
Small Business	Housing and Economy
Sustainability	Corporate Policy and Strategy
Veterans	Council
Volunteers	Council
Young People	Education, Children and Families

1.2 That each Parent Committee agrees the remit of its Champions and whether the role is required;

1.3 That each Champion report back on their activities annually to the Parent Committee;

1.4 That each Committee review annually whether the role is still required and whether the current Champion should remain in post and report with recommendations to Full Council.

- moved by Councillor Mowat, seconded by Councillor McLellan

## Amendment 2

Add recommendation 1.5

To note that the Union Canal strategy dates from 2011 and that the Canal Delivery Board, comprised of the council, Scottish Canals and other partners, has recommended that preparatory work should be undertaken with an aim of producing a refreshed strategy by 2021, prior to the Union Canal bicentenary in 2022; and endorse that recommendation.

- moved by Councillor Corbett, seconded by Councillor Miller

### **Amendment 3**

To agree the recommendations and to add new recommendation 1.5:

That each champion produce a work plan with clear SMART objectives and report annually to the appropriate committee to enable public scrutiny of their work.

- moved by Councillor Aldridge, seconded by Councillor Gloyer

In accordance with Standing Order 20(7), Amendment 1 was adjusted and accepted, and Amendment 2 was accepted, as addendums to the motion.

### **Voting**

The voting was as follows:

For the Motion (as adjusted)	-	56 votes
For Amendment 3	-	6 votes

(For the motion as adjusted: The Lord Provost, Councillors Arthur, Barrie, Bird, Booth, Bridgman, Brown, Bruce, Burgess, Cameron, Ian Campbell, Jim Campbell, Kate Campbell, Mary Campbell, Child, Cook, Corbett, Day, Dickie, Dixon, Doggart, Donaldson, Doran, Douglas, Fullerton, Gardiner, Gordon, Graczyk, Griffiths, Howie, Hutchison, Johnston, Key, Laidlaw, Macinnes, McLellan, McNeese-Mechan, McVey, Main, Miller, Mitchell, Mowat, Munro, Perry, Rae, Rankin, Ritchie, Rose, Rust, Smith, Staniforth, Watt, Webber, Whyte, Wilson and Work

For Amendment 3: Councillors Aldridge, Gloyer, Lang, Osler, Neil Ross and Young)

### **Decision**

To approve the following adjusted motion by Councillor McVey:

- 1) To note the work carried out by Champions contained in the report by the Chief Executive.
- 2) To amend the cycling champion role to an expanded remit of Active Travel Champion.
- 3) To agree that the next Group Leaders' meeting should consider any further changes to the roles and remits of champions, with a report being brought to Council on the proposed changes.
- 4) To agree to a monitoring report on work carried out in one year's time.
- 5) To note the varying level of details given in the Appendices by the Champions and express concern that a Report to Full Council did not give sufficient scrutiny of the role and its linkages to Committees and agree:

- a) that each champion be linked to a Parent Committee as detailed in the table below:

Canal	Transport and Environment
Carers	Culture and Communities
Child Poverty	Housing and Economy
Cycling	Transport and Environment
Equalities	Corporate Policy and Strategy
Festivals	Culture and Communities
Gaelic	Education, Children and Families
Homelessness	Housing and Economy
Small Business	Housing and Economy
Sustainability	Corporate Policy and Strategy
Veterans	Council
Volunteers	Council
Young People	Education, Children and Families

- b) That each Parent Committee agrees the remit of its Champions;
- c) That each Champion report back on their activities annually to the Parent Committee;
- d) That each Committee review annually and report with recommendations to Full Council.
- 6) To note that the Union Canal strategy dated from 2011 and that the Canal Delivery Board, comprised of the council, Scottish Canals and other partners, had recommended that preparatory work should be undertaken with an aim of producing a refreshed strategy by 2021, prior to the Union Canal bicentenary in 2022; and endorsed that recommendation.

(References: Act of Council No 2 of 23 August 2018; report by the Chief Executive, submitted)

## 5 Burgess Roll

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Details were provided on the current arrangements relating to the Burgess Roll and the issuing of Burgess tickets together with proposed new arrangements for the handling of these.

### Decision

- 1) To agree that the keeping of the new Burgess Roll now be carried out by the Burgess Association of Edinburgh, including the setting and collection of fees.
- 2) To agree that the Lord Provost, the Lord Dean of Guild, and the Deacon Convener of the Trades (as all might be appointed from time to time) and / or



their Deputies now sign the newly designed Burgess ticket attached at Appendix 1 to the report by the Chief Executive.

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

## **6 Edinburgh Boundaries Extension and Tramways Act 1920**

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The Edinburgh Boundaries Extension and Tramways Act of 1920 led to a major expansion of the city's boundaries. A business case had been developed which set out proposals for the City of Edinburgh Council to celebrate the centenary of the Edinburgh Boundaries Extension and Tramways Act of 1920.

Details were provided on the project proposal and associated costs to ensure this event could be celebrated through a series of outreach and community focused events.

### **Decision**

- 1) To note the project proposals and business case to celebrate the centenary of the Edinburgh Boundaries Extension and Tramways Act 1920.
- 2) To agree that any Council spend required above that achieved through sponsorship would be considered by the Finance and Resources Committee.

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

## **7 Trinity Academy – 125<sup>th</sup> Anniversary – Motions by Councillor Day and Jim Campbell**

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The Lord Provost ruled that the following motions, which had been submitted in terms of Standing Order 16, be considered together:

### **Motion 1 - By Councillor Day:**

“That Council notes:

- a) The success of Edinburgh's Trinity Academy, which has been at the heart of the community for now 125 years supporting student to achieve their best.
- b) The well-established, dedicated parent council and their tremendous efforts in supporting the school.
- c) The excellent work of teaching and support staff and the continued success of trinity academy pupils both in school and in wider sports and extra curricular activities.
- d) This administration is commitment to proceed with much needed investment at Trinity Academy including a new Bangholm Sports Facility

Council requests the Lord Provost acknowledges this 125th anniversary in an appropriate manner.”

- moved by Councillor Day, seconded by Councillor Bird

**Motion 2 – By Councillor Jim Campbell:**

“Council

- 1) Marks the occasion of the 125 anniversary of the opening of Trinity Academy on Wednesday 4 September.
- 2) Pays tribute to all the staff students, past and present, who have played their part in reaching this milestone.
- 3) Notes that the original building has been in continued use as a school since Queen Victoria was on the throne and the very first women in the world were given the vote in New Zealand.
- 4) Celebrated that this year two girls are fulfilling the role of School Captains building on, and developing new, traditions as the Academy reflects our evolving communities.
- 5) Takes pride in the broad education provided by Trinity Academy over many many years, delivering outstanding success in sports, arts and examinations again this last year.
- 6) Looks forward to the Officers coproducing the Business Case Options analysis, recently agreed by the Education & Families Committee, with the whole Trinity Academy community, that we might all together lay the foundations for the next 125 years.”

- moved by Councillor Jim Campbell seconded by Councillor Hutchison

**Decision**

That Council marks:

- a) The success of Edinburgh’s Trinity Academy, which has been at the heart of the community for the last 125 years.
- b) Pays tribute to all the staff students, past and present, who have played their part in reaching this milestone on 4 September 2018.
- c) Recognises the tremendous efforts the well-established and dedicated Parent Council make in supporting the school.

- d) The excellent work of teaching and support staff and the continued success of Trinity Academy student both in school, in sports and other extra-curricular activities witnessed by some fabulous results again this year.
- e) Looks forward to coproducing the Business Case Options analysis, recently agreed by the Education & Families Committee, with the whole Trinity Academy community, including plans for new Bangholm Sports Facility that we might all together lay the foundations for the next 125 years.

Council requests the Lord Provost acknowledges this 125th anniversary in an appropriate manner.

## **8 Queensferry Churches Care in the Community 25<sup>th</sup> Anniversary – Motion by Councillor Lang**

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

“Council:

- 1. congratulates the Queensferry Churches Care in the Community (QCCC) on its silver jubilee anniversary.
- 2. recognises the significant contribution which the organisation has made over the last 25 years to the health, well being and activity of older people and carers in communities across rural north west Edinburgh.
- 3. expresses its sincere thanks to the hard work and dedication of the QCCC staff and volunteers.
- 4. asks the Lord Provost to write to QCCC and mark this important anniversary in the appropriate manner.”

### **Decision**

To approve the motion by Councillor Lang.

## **9 Graffiti Working Group – Motion by Councillor Rose**

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

“Council

- 1) Commends the Southside Association and Southside Community Council for raising funds and volunteers in order to design and paint community murals in two graffiti-stricken closes in Nicolson Street. Notes that along with an earlier

project in Gifford Park these three projects have thus far been successful in reducing graffiti.

- 2) Notes the Marine Parade Graffiti Wall and the international event at this, the longest graffiti wall in the UK, earlier this month.
- 3) Notes that in September 2017 the administration opposed a motion by Councillor Laidlaw to re-establish a Graffiti Task Force. In place of this immediate action, they resolved to establish a graffiti working group. Since September 2017, the Graffiti Working Group has met once and, to date, there is no clear evidence of resulting action or recommendations.
- 4) Notes that the administration's actions effectively prevented concerted immediate action to address an upsurge in graffiti which is of concern to residents of, and visitors to, Edinburgh.
- 5) Instructs that the Graffiti Working Group be scrapped and the Director of Place be instructed to reform a Graffiti Task Force in order to co-ordinate and address the prevalence of graffiti in Edinburgh's streets.
- 6) Instructs the Director of Place, after
  - noting any discussions undertaken by the Graffiti Working Group
  - noting previous best practice and opportunities to intervene
  - taking action he considers appropriate
  - to report progress with measures within three cycles."

### **Motion**

To approve the following adjusted motion by Councillor Rose:

#### Council

- 1) Commends the Southside Association and other local people for raising funds and volunteers in order to design and paint community murals in two graffiti-stricken closes in Nicolson Street. Notes that along with an earlier project in Gifford Park these three projects have thus far been successful in reducing graffiti.
- 2) Notes the Marine Parade Graffiti Wall and the international event at this, the longest graffiti wall in the UK, earlier this month.
- 3) Notes that in September 2017 the administration opposed a motion by Councillor Laidlaw to re-establish a Graffiti Task Force. In place of this immediate action, they resolved to establish a graffiti working group.

- 4) Notes that the administration's actions effectively prevented concerted immediate action to address an upsurge in graffiti which is of concern to residents of, and visitors to, Edinburgh.
- 5) Instructs that the Graffiti Working Group be scrapped and the Director of Place be instructed to reform a Graffiti Task Force in order to co-ordinate and address the prevalence of graffiti in Edinburgh's streets.
- 6) Instructs the Director of Place, after
  - noting any discussions undertaken by the Graffiti Working Group
  - noting previous best practice and opportunities to intervene
  - taking action he considers appropriate
  - to report progress with measures within three cycles.

- moved by Councillor Rose, seconded by Councillor Laidlaw

### **Amendment**

Council

deletes paragraphs 3 to 6 of the motion and replaces with:

- 3) Notes that the Graffiti Working Group has met 3 times, however there was no Conservative representation at the meeting on 6 September 2018.
- 4) Notes that the final meeting of the Graffiti Working Group will take place on 4 December 2018 to review a report on agreed actions drafted by the Head of Place Management. The finalised version of this report will be presented to the next Culture and Communities Committee.

- moved by Councillor Wilson, seconded by Councillor McNeese-Mechan

### **Voting**

The voting was as follows:

For the motion	-	18 votes
For the amendment	-	44 votes

(For the motion: Councillors Brown, Bruce, Jim Campbell, Cook, Doggart, Douglas, Hutchison, Johnston, Laidlaw, McLellan, Mitchell, Mowat, Ritchie, Rose, Rust, Smith, Webber and Whyte

For the amendment: The Lord Provost, Councillors Aldridge, Arthur, Barrie, Bird, Booth, Bridgman, Burgess, Cameron, Ian Campbell, Kate Campbell, Mary Campbell,

Child, Corbett, Day, Dickie, Dixon, Donaldson, Doran, Fullerton, Gardiner, Gloyer, Gordon, Graczyk, Griffiths, Howie, Key, Lang, Macinnes, McNeese-Mechan, McVey, Main, Miller, Munro, Osler, Perry, Rae, Rankin, Neil Ross, Staniforth, Watt, Wilson, Work and Young

## **Decision**

To approve the amendment by Councillor Wilson as follows:

Council:

- 1) Commends the Southside Association and other local people for raising funds and volunteers in order to design and paint community murals in two graffiti-stricken closes in Nicolson Street. Notes that along with an earlier project in Gifford Park these three projects have thus far been successful in reducing graffiti.
- 2) Notes the Marine Parade Graffiti Wall and the international event at this, the longest graffiti wall in the UK, earlier this month.
- 3) Notes that the Graffiti Working Group has met 3 times, however there was no Conservative representation at the meeting on 6 September 2018.
- 4) Notes that the final meeting of the Graffiti Working Group will take place on 4 December 2018 to review a report on agreed actions drafted by the Head of Place Management. The finalised version of this report will be presented to the next Culture and Communities Committee.

## **10 School Recruitment – Motion by Councillor Jim Campbell**

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

“Council

Notes the efforts Officers made this year to recruit newly qualified teachers earlier than previous years, and is interested to understand how successful this was.

Therefore, asks for a report to Education, Children & Families Committee within two cycles to include:

- 1) The number of teaching and teaching assistant posts which were (a) taken up and (b) still vacant as schools and nurseries returned for this new academic year, providing a comparison with the previous five years.
- 2) A survey of Head Teachers assessing their satisfaction with the end to end recruitment process. Other sources of Head Teachers' views should also be included.

- 3) Data covering the last five years obtained from Education or HR records, indicating the average number of days between:
  - (a) Head Teachers advising of a vacancy (or the need to re-advertise a vacancy) and an advert being placed?
  - (b) Head Teachers advising of a vacancy and the last interview being held?
  - (c) A successful candidate first being interviewed and an offer being made to that candidate?
  - (d) A candidate accepting an offer and the Council gaining PVG clearance?
  - (e) A Head Teacher advising of a vacancy and a new appointment taking up that role?
- 4) An analysis of any candidates that were made offers but chose not to take up any role with this Council.
- 5) Reviews any benchmark reporting of end to end recruitment performance for similar vacancies within the Council, with other Councils, or with other organisations.”

## **Decision**

To approve the motion by Councillor Jim Campbell.

## **11 Liberton High School – Motion by Councillor Smith**

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

“Council

- 1) Notes serious concerns over the Liberton High School remedial works which were to be completed over the summer break which have not been completed in line with deadlines set out to both the parent council and the Education, Children and Families Committee.
- 2) Calls for an action plan and strategic timetable be drawn up urgently for the required works to reassure parents, children and teachers at Liberton High School that the safety in our schools is of utmost importance.
- 3) Requests that a report to update members on the remedial works is brought to the next Education, Children and Families Committee.”

## **Motion**

To approve the motion by Councillor Smith.

- moved by Councillor Smith, seconded by Councillor Cook.

## **Amendment**

To note that the Convener and Vice Convener have agreed to meet with the Head Teacher and chair of the Parent Council at Liberton High School and that local ward councillors will be invited to attend.

- moved by Councillor Perry, seconded by Councillor Dickie

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 Smith:

Council

- 1) Notes serious concerns over the Liberton High School remedial works which were to be completed over the summer break which have not been completed in line with deadlines set out to both the parent council and the Education, Children and Families Committee.
- 2) Calls for an action plan and strategic timetable be drawn up urgently for the required works to reassure parents, children and teachers at Liberton High School that the safety in our schools is of utmost importance.
- 3) Requests that a report to update members on the remedial works is brought to the next Education, Children and Families Committee.
- 4) Notes that the Convener and Vice Convener had agreed to meet with the Head Teacher and chair of the Parent Council at Liberton High School and that local ward councillors would be invited to attend.



## 12 Improving Bus Services in Rural West Edinburgh – Motion by Councillor Lang

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

“Council

1. notes commitment 19 of the administration’s coalition agreement to “improve public transport to rural west Edinburgh”.
2. recognises that increased bus service provision is critical to the delivery of this commitment.
3. regrets that since the coalition agreement was signed:
  - a) The direct bus link between Queensferry, Kirkliston and St John’s Hospital has ceased.
  - b) The frequency of bus services between Kirkliston and Edinburgh city centre has reduced significantly following the decision of First Bus to end its 38A service.
  - c) route changes by First Bus have meant services to and from Edinburgh city centre are no longer passing through Newbridge.
  - d) The frequency of the bus service between Balerno and Edinburgh city centre has reduced in evenings and weekends.
  - e) Despite being included in the February 2018 budget, the subsidised service to St. John’s Hospital from Balerno, Currie and Juniper Green has yet to be reinstated having been withdrawn on the 10 April 2016.
4. notes that whilst Lothian Buses has launched two new services in West Lothian, with further services to start in September, it does not provide either Kirkliston or Ratho with a direct city centre service.
5. further notes that there is no direct service between Currie and Balerno with the Gyle.
6. welcomes the initiatives set out in the Public Transport Priority Action Plan as approved by the Transport and Environment Committee but believes the proposals on their own will be insufficient to deliver the promised improvement to public transport in rural west Edinburgh.
7. believes a comprehensive action plan is urgently required to improve public transport in the rural west of the City and therefore agrees for a report to come

before the Transport and Environment Committee, North West Locality Committee and South West Locality Committee in two cycles, setting out such a plan.”

### **Motion**

To approve the motion by Councillor Lang.

- moved by Councillor Lang, seconded by Councillor Webber

### **Amendment**

Deletes all after 2 in the motion and replaces with:

3. recognises the need to continue work with bus operators and local communities, including West Lothian Council, to achieve an appropriate mix of services for resident communities.
4. recognises that decisions about routes and withdrawal of services are commercial decisions by operators and are not within the gift of the Council; indeed that the Council cannot subsidise bus routes in direct competition to commercial services.
5. recognises the difficulty for operators in providing commercially successful services when demand is demonstrably low.
6. notes the ongoing level of subsidy to bus services across Edinburgh provided by CEC to ensure community links, amounting to approximately £1.2 million pounds per annum, much of which is spent in West Edinburgh. Routes include Lothian Bus routes 63 (Queensferry – Kirkliston – Riccarton), 20 (Chesser – Gyle – Ratho) and cross boundary contracts with West Lothian Council: EM Horsburgh route no 7 from Queensferry to St John’s Hospital in Livingston and the no 40/X40 EM Horsburgh route between Livingston and Royal Infirmary Edinburgh, including Ratho.
7. notes the response to a Council question raised by Cllr Webber (August 23, 2018) which states clearly that allocation of the approved additional budget allowance of £100,000 is subject to a new Framework Agreement for Supported Bus Services which will cover several routes including the need for travel between St John’s Hospital and Balerno, Currie and Juniper Green.
8. notes that the development of the Framework Agreement will allow us to work with local communities to establish route options and a true picture of the priorities of local communities for bus services; and that that work has already begun.

9. Agrees that other outstanding community concerns about public transport in West Edinburgh will be part of the Local Transport Action Plan process.

- moved by Councillor Macinnes, seconded by Councillor Doran

### **Voting**

The voting was as follows:

For the motion	-	25
For the amendment	-	36

(For the motion: Councillors Aldridge, Barrie, Brown, Bruce, Jim Campbell, Cook, Doggart, Douglas, Gloyer, Hutchison, Johnston, Laidlaw, Lang, McLellan, Mitchell, Mowat, Osler, Ritchie, Rose, Neil Ross, Rust, Smith, Webber, Whyte and Young

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

Abstention: Councillor Bridgman)

### **Decision**

To approve the amendment by Councillor Macinnes as follows:

Council

1. notes commitment 19 of the administration's coalition agreement to "improve public transport to rural west Edinburgh".
2. recognises that increased bus service provision is critical to the delivery of this commitment.
3. recognises the need to continue work with bus operators and local communities, including West Lothian Council, to achieve an appropriate mix of services for resident communities.
4. recognises that decisions about routes and withdrawal of services are commercial decisions by operators and are not within the gift of the Council; indeed that the Council cannot subsidise bus routes in direct competition to commercial services.
5. recognises the difficulty for operators in providing commercially successful services when demand is demonstrably low.

6. notes the ongoing level of subsidy to bus services across Edinburgh provided by CEC to ensure community links, amounting to approximately £1.2 million pounds per annum, much of which is spent in West Edinburgh. Routes include Lothian Bus routes 63 (Queensferry – Kirkliston – Riccarton), 20 (Chesser – Gyle – Ratho) and cross boundary contracts with West Lothian Council: EM Horsburgh route no 7 from Queensferry to St John’s Hospital in Livingston and the no 40/X40 EM Horsburgh route between Livingston and Royal Infirmary Edinburgh, including Ratho.
7. notes the response to a Council question raised by Cllr Webber (August 23, 2018) which states clearly that allocation of the approved additional budget allowance of £100,000 is subject to a new Framework Agreement for Supported Bus Services which will cover several routes including the need for travel between St John’s Hospital and Balerno, Currie and Juniper Green.
8. notes that the development of the Framework Agreement will allow us to work with local communities to establish route options and a true picture of the priorities of local communities for bus services; and that that work has already begun.
9. Agrees that other outstanding community concerns about public transport in West Edinburgh will be addressed as part of the Local Transport Action Plan process.

### **13 Muriel Spark Centenary – Motion by Councillor Main**

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

“Council agrees

Dame Muriel Spark (1918-2006) is one of Scotland's greatest novelists.

Muriel Spark was critically acclaimed throughout a career which spanned six decades and is best known as the author of 'The Prime of Miss Jean Brodie'.

Born in Edinburgh in 1918 and a pupil at James Gillespies’ School, Spark lived an international life, journeying from Edinburgh to Africa, London, New York, Rome, and Tuscany.

Council congratulates ‘Muriel Spark 100’, a year-long programme of events and activities celebrating the centenary of Muriel Spark’s birth. As part of the celebrations the city has honoured Dame Muriel by naming Muriel Spark Walk on Bruntsfield Links and Miss Jean Brodie Steps in the Grassmarket.

Council requests that the Lord Provost investigates how the council might best celebrate the life of Muriel Spark in this centenary year of her life.”

## **Decision**

To approve the motion by Councillor Main.

## **14 Bonfire Night – Motion by Councillor McLellan**

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

“Council

- 1) Welcomes community-led initiatives to ensure community bonfires are properly marshalled to avoid a repeat of last year’s disorder.
- 2) Will assist communities to encourage volunteering to help steward events.
- 3) Welcomes Police Scotland’s “Operation Moonbeam” preparations to prevent a repeat of last year’s disorder
- 4) Instructs the Head of Strategy, Insight and Communications to ensure a community safety communications plan is in place for this year’s events.”

## **Decision**

To approve the motion by Councillor McLellan.

## **15 Professor Dame Jocelyn Bell Burnell DBE – Motion by Councillor Cameron**

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

“Council:

Congratulates Professor Dame Jocelyn Bell Burnell DBE on being awarded the Breakthrough Prize for her work on the discovery of pulsars, and her lifetime of scientific achievement;

Welcomes and supports Dame Jocelyn’s decision to award her £2.3 million Breakthrough Prize money to the Institute of Physics to establish research studentships for people from under-represented groups; and

Conveys its warm thanks and appreciation to Dame Jocelyn for her contribution to the Royal Society of Edinburgh during her term as President from 2014-2018; and for her work as a role model for young students and female scientists throughout the world.

Council asks the Lord Provost to write to Dame Jocelyn in these terms.”

**Decision**

To approve the motion by Councillor Cameron.

## Appendix 1

(As referred to in Act of Council No 2 of 20 September 2018)

### QUESTION NO 1

**By Councillor Booth for answer by  
the Convener of the Finance and  
Resources Committee at a meeting  
of the Council on 20 September 2018**

#### Question

Please list the number of vehicles in the council's own fleet by euro emissions standard, and also list the number of electric vehicles in the council's fleet.

#### Answer

The information below was prepared in August 2018 as part of an annual audit submission. Since this data was prepared, a further five electric vehicles have been added to the fleet. Four will replace diesel vehicles included below.

Euro Standard	2014	2015	2016	2017	2018
Pre-Euro	0	0	0	0	0
Euro 1	0	0	0	0	0
Euro 2	0	0	0	0	0
Euro 3	44 5%	44 5%	21 2%	15 2%	14 2%
Euro 4	476 49%	183 19%	238 26%	217 25%	221 24%
Euro 5	440 45%	708 73%	532 58%	497 56%	376 42%
Euro 6	0	10 1%	104 11%	128 15%	267 30%
Electric	11 1%	27 3%	27 3%	25 3%	25 3%
<b>Total</b>	<b>971</b>	<b>971</b>	<b>921</b>	<b>882</b>	<b>903</b>

**Supplementary  
Question**

Thank you Lord Provost and I thank the Convener for her answer. While I very much welcome the general improvement on a cleaner fleet for the Council, it appears that the figures on electric vehicles within the Council's fleet remain more or less static. Does the Convener agree that the Council should be leading from the front on electric vehicles and what action will the Council be taking over and above the forthcoming report to the Transport and Environment Committee to ensure that we do lead from the front on electric vehicles?

**Supplementary  
Answer**

Thank you Councillor Booth, thank you for your question. In terms of electric vehicles, I think as a Council we should be leading from the front and I think we can represent that in two ways, one is the report that the reference coming forward to the Transport and Environment Committee next month which will indicate very clearly our direction of travel on that in terms of infrastructure provision and I think that will be quite a step forward for us. In addition to which, though you referenced the fleet that we run ourselves for a variety of purposes. As you know we're moving more towards less from ownership towards hire arrangements and that allows a greater degree of flexibility in how we respond to this and I expect to see more electric vehicles coming into our fleet through that route, thank you.



**QUESTION NO 2**

**By Councillor Burgess for answer by the Convener of the Culture and Communities Committee at a meeting of the Council on 20 September 2018**

- Question** (1) How many residents are currently on the waiting list for allotments?
- Answer** (1) The Culture and Communities Committee on [11 September](#) noted that there were 2,697 people on the waiting list for allotments in the city when the report was written. Since then a further 28 people have been added.
- Question** (2) How many new allotments will the council be able to provide in each year of this council term?
- Answer** (2) We are unable to quantify the number of new allotments which will be delivered each year at this time. However, the Coalition manifesto gives a clear commitment to increase allotment, community garden and food growing provision across the city. The 11 September report outlined ways in which we can increase provision and officers are working on identifying sites for this provision and associated financial costs.
- Supplementary Question** Thanks to the Convener for her answer. There are over 2,700 people on the waiting list for allotments. Can I clarify if the Convener is aware that the Community Empowerment Act imposes a duty on local authorities to keep the allotment waiting list at no more than half the current number of allotments and that the Council therefore needs to create 1,300 additional plots, almost double the current provision and that the recent report to the Culture and Communities Committee said that the existing allotment strategy alone is unlikely to meet the demand for an allotment and therefore is the Convener prepared to ask officers to explore further more radical steps to create more allotments?

**Supplementart  
Answer**

Thank you Lord Provost and thank you for the question. The answer to that is absolutely yes, I mean the report that came out on 11 September was I see a first step in just exactly where we are but as was made very clear at the Committee the competition on the use of land is such that it is very difficult to find. Obviously plots of land that are suitable but there was a plea made that as local experts in your local area is that if people have pieces of land that they think may be suitable they should bring them forward. Are we prepared to look at more radical ways I would suggest yes, we are because the competition on land makes it almost impossible to actually allocate land for allotments but we are looking at all options and we are prepared to look at more radical solutions.

**QUESTION NO 3**

**By Councillor Burgess for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question** (1) How many applications to close streets for Playing Out events have there been this year?

**Answer** (1) 31

**Question** (2) How many applications were granted, and how many refused?

**Answer** (2) All of the applications were granted.

**Question** (3) How many approved events went ahead?

**Answer** (3) The Council does not record the number of events held.

**Supplementary Question** I thank the Convener for the answer about closing streets for play. It's welcome to hear that this season there were over 30 applications to close streets for play, but will the Convener agree that in evaluating and improving on the success of this initiative, it would be useful to know how many street play events actually did take place and would that be possible for this to be recorded and in future?

**Supplementary Answer** Thank you Councillor Burgess. I do believe that it would be valuable. This is a very important initiative I think in terms of people that are reclaiming the streets and having control over their neighbourhoods in a way that is not permitted at the moment, in the way the City operates. I think that we have to recognise the fact that weather for example can often stop an event which is planned, so there is a bit of an ad hoc feel to the process between us agreeing to close a street and the event actually happening. I will ask officers to look at some means of recording it as we go forward. This season was a little special because we started relatively late with this application process, so I hope that by the time next summer rolls around that will be in a better position to record those, thank you.

**QUESTION NO 4**

**By Councillor Burgess for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question**

Why does Edinburgh spend so much less on its parks (£6,767) than the national average (£21,581) and comparable cities like Aberdeen (£17,855) and Glasgow (£38,691)?

**Answer**

The comparison which is referred to, is the net cost of parks and open spaces per 1000 people (as shown in the Local Government Benchmarking Framework). This would be a different comparison if the gross cost of the service were being used.

Edinburgh Council has a good track record of attracting income into our parks through events and concessions. This income offsets a significant amount of the gross cost of the service.

Although we have the third lowest net cost per 1000 people, we also have the fifth highest level of resident satisfaction with parks and open spaces in Scotland (at 91%) and have 32 Green Flag standard parks – far and away the highest number of any of the other Scottish Councils.

**Supplementary Question**

Thanks to the Convener for the answer about the Council spending on parks. The Convener may be aware of concerns that the current level of investment in Edinburgh's park infrastructure may not be enough to maintain footpaths, benches and other structures in a satisfactory condition into the future and that the Council may be building up a significant liability for the future. Can I ask if the Convener would be willing to request an audit of the condition of park infrastructure to inform the Council's future spending decisions on parks?

**Supplementary  
Answer**

Thank you Councillor Burgess. I mean I will point out the fact that despite our relatively low expenditure in parks we enjoy enormous success with them, both in terms of those people who want to come forward to use our parks for events and happenings, but also in addition to the recognition that were given with the number of Green Flag status. It's a remarkably high level that this City receives and enjoys, and I think that that is a reflection of the quality of our parks and the work that is done within them. In terms of an audit I agree with you there are always issues about looking forward towards maintenance and support of those very valuable assets to the City. I will discuss with officers how the best way is to move forward on this, to help enlarge our picture of what's happening and how we go forward in the future, thank you.

**QUESTION NO 5**

**By Councillor Osler for answer by  
the Convener of the Housing and  
Economy Committee at a meeting of  
the Council on 20 September 2018**

**Question** (1) How many residential properties in Edinburgh are owned by the Council?

**Answer** (1) There are 19,836 residential properties presently within Council ownership.

**Question** (2) How many of these residential properties are currently vacant or unoccupied?

**Answer** (2) There are 566 (as at 17/9/18) Council homes vacant or unoccupied, at present. This includes 372 homes that are currently in refurbishment programmes. The remaining 194 homes are in the letting process.

On average, the Council advertise 35 homes per week through Key to Choice. The current average relet times for a Council home is 28 days.

**Question** (3) Since March 2017 how many residential properties owned by the Council

a) have been sold or

b) have been identified for sale?

The answers to all of the above questions (1), (2) and (3) to be broken down for each Ward

**Answer** (3) a) Since March 2017, 18 Council properties have been sold.

This is further broken down by the following wards:

City Centre	3
Forth	2
Fountainbridge/Craiglockhart	2
Inverleith	3
Leith	1
Liberton/Gilmerton	1
Morningside	1
Sighthill/Gorgie	4
Southside/Newington	1

b) Since March 2017, 35 Council properties have been identified for sale, broken down into the following wards:

Almond	1
City Centre	1
Craigtinny/Duddingston	1
Drum Brae/Gyle	1
Forth	9
Fountainbridge/Craiglockhart	2
Inverleith	5
Leith	2
Leith Walk	2
Liberton/Gilmerton	4
Pentland Hills	1
Portobello/Craigmillar	1
Sighthill/Gorgie	3
Southside/Newington	2

**Question** (4) What criteria do the Council apply, when deciding to sell a Council-owned residential property?

**Answer** (4) The overarching objective of the acquisition and disposal policy is to increase supply and reduce ongoing management and maintenance costs through block consolidation. This is achieved through the purchase of homes where full block consolidation is achievable over 25 years, or to divest from blocks where the Council is the minority owner.

**Question** (5) Is the criteria (4) the same across all Wards?

**Answer** (5) Yes

**Question** (6) How many new Council owned properties have been built/purchased since March 2017? Broken down for each Ward.

**Answer**

**(6)** Since March 2017, the Council has completed 103 new build properties. This is broken down by ward below:

Leith	32
Forth	71

In addition to the above, there are currently 3,000 Council homes in design & development with 2,300 affordable homes under construction on 35 sites.

There has been a total of 28 acquisitions, broken down by ward as follows:

Colinton/Fairmilehead	1
Craighentony/Duddingston	3
Forth	2
Inverleith	1
Leith	2
Liberton/Gilmerton	6
Pentland Hills	10
Portobello/Craigmillar	2
Sighthill/Gorgie	1

**Supplementary Question**

Thank you Lord Provost and thank you Convener for your answers. At this present stage we have just under 3% of our housing stock unoccupied, two thirds of which are being refurbished. Considering the emergency motion agreed at the North West Locality Committee last week regarding the poor state of the Muirhouse high-rise presently occupied by council tenants, how bad are these properties that they are actually unoccupied?

**Supplementary Answer**

Thank you Councillor Osler for your question. The properties that will be unoccupied, that are being refurbished, will be properties that have become vacant. I don't have all of the details, I am happy to follow up on some of the detail of that. It's a slightly strange question I think in terms of the properties will have become vacant and obviously when properties become vacant there is an opportunity for us to do some of the important works like refurbishing kitchens and bathrooms, also in terms of more structural things such as heating systems, so it's an opportunity for us to undertake those larger works while they are unoccupied.



**QUESTION NO 6**

**By Councillor Rae for answer by the  
Convener of the Regulatory  
Committee at a meeting of the  
Council on 20 September 2018**

**Question**

For 2016/17 and 2017/18 what is the total income to the Council of fees paid by private landlords to be on the landlord register; and what assessment has the council made of likely income increase in light of Scottish Government consultation on landlord fee increases?

**Answer**

The total income to the Council from fees paid by private landlords to apply to be a registered landlord was:

2016/17 = £721,799.71

2017/18 = £752,548.20

Scottish Government have proposed a 26% uplift to all landlord registration fees to account for inflation over the last 10 years. Based on the 2017/18 income it is estimated an increase of 26% would result in additional income of c.£195,662 per annum.

**Supplementary  
Question**

Thank you for your answer on this. In the light of the welcome anticipated increase in income from landlord registration, could the Convener please confirm to committing to bring forward proposals that would ensure private landlords are made fully aware of their new responsibilities following significant and very welcome changes in tenancies last December and could you further ensure that firm enforcement action will be taken against any landlords who fail to meet the responsibilities in future? Thank you.

**Supplementary  
Answer**

Thank you Councillor Rae for your further question. All I can confirm at this stage is the extra income will be used for licensing, licensing enforcement and HMO enforcement. We certainly can get more detail to you in due course.

**QUESTION NO 7**

**By Councillor Rae for answer by the  
Convener of the Finance and  
Resources Committee at a meeting  
of the Council on 20 September 2018**

**Question**

Of the 18,988 student bed-spaces in Edinburgh, for each of the three years 2015/16, 2016/17 and 2017/18

- a) for how many are non-domestic rates paid during non-term time when they are being let commercially;
- b) how much was raised in NDR and
- c) what representations has the city council made to the Scottish Government following the Barclay Review of NDR to address the taxation position of student accommodation let out in non-term times.

**Answer**

- a) Non Domestic Rates is a property based tax and it has not been possible to identify student bed spaces from the Rates Valuation Roll. There are however four entries that Lothian Valuation Joint Board has valued for commercial purposes during non term time.
- b) The following properties are currently valued for commercial purposes outwith term time.

**1-4 Kincaids Ct** (now known as 2-12 St Johns Hill)

Financial Year	Amount charged
2015/16	£9,786.18
2016/17	£11,141.75
2017/18	£14,323.27

**7-13 Robertson Close** (occupied by Scottish Youth Hostel and as a registered charity receives 80%)

2015/16	£1,006.07
2016/17	£1,233.36
2017/18	£1,986.87

### **1-3 College Wynd**

2015/16	£2,344.92
2016/17	£2,489.48
2017/18	£5,992.96

### **50 Blackfriars Street**

2015/16	£41,539.29
2016/17	£103,530.01
2017/18	£130,343.76

**TOTAL** **£325,717.92**

- c) Council officers participated in various groups that contributed to the Barclay Review and were supportive of the position that commercial elements should be liable for rates. At this time further views on the specific topic of student accommodation and the application of reliefs are not being sought by the Scottish Government's consultation on the implementation of the Barclay Review. Lothian Valuation Joint Board is continuing to engage with providers of student accommodation to ensure that all appropriate properties are included on the valuation roll.

**QUESTION NO 8**

**By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

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

**Question** (1) Why was a consultation on changes not progressed within the timescale originally advised?

**Answer** (1) In response to your previous [Council question](#) (Item 5.10) on 31 May 2018 the timetable was confirmed.

The initial proposals were sent to Davidson's Mains and Silverknowes Association (DMSA) in June. However, their feedback indicated support for a traffic signal controlled junction. This is currently being assessed and required survey work planned.

**Question** (2) What is the latest timetable for this consultation to take place?

**Answer** (2) The public consultation timetable will be developed once the assessment is complete. If this is assessed as a viable alternative to replacing the roundabout, detailed designs will be required in advance of the public consultation.

**QUESTION NO 9**

**By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question**

Further to the answer she gave at the 23 August 2018 Council meeting in response to question 5.25 (3), does the Convener believe the existing Fairtrade road signs in place in Edinburgh meet the requirements under the standing legislation?

**Answer**

No, in the light of the guidance recently provided by the Scottish Government it would appear that these signs do not conform with the legislation.

**Supplementary Question**

Thank you very much and I thank the Convener for her honest answer. Given the fact that it's her view that the existing signs may not be compliant with the legislation, does she intend to ask for them to be removed, and if she doesn't, and she does think it's still a relatively low risk scenario, is it possible to request low-risk new signs in Queensferry?

**Supplementary Answer**

Thank you Councillor Lang. I intend to work with officers to see what we should do about a programme where we move towards a position where we are not in contradiction to the legislation. So clearly we have to deal with the fact we already have some of these existing signs and work out how best we can move towards conforming with legislation. In that light I think it would be unwise to add new ones. This does not indicate any degree of lack of support for Fairtrade, in fact I can mention the fact that the scarf I'm wearing today was made by Palestinian women in the Gaza Strip under a UN Fair trade agreement, purchased here in Edinburgh I hasten to add, if anybody's looking for Christmas gifts with a conscience. I think it's very very clear that Fairtrade is a very important aspect of what Edinburgh represents and I would like to see that reflected in some way whether or not it's within specific road signs remains to be seen, thank you.

**QUESTION NO 10**

**By Councillor Bruce for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question** (1) Please could you list the number of cycle racks that have been installed in each ward for the past 5 years?

**Answer** (1) Please find below details of the number of cycle rack sites and spaces available by ward. Information is not held for the number installed prior to 1 January 2016 however it is understood that most of these spaces have been installed as part of phases 1 and 2 of the current roll-out

<b>Ward</b>	<b>Sites</b>	<b>Spaces</b>
Almond	7	65
City Centre	230	1829
Colinton/Fairmilehead	1	4
Corstorphine/Murrayfield	16	81
Craigtinny/Duddingston	9	68
Drum Brae/Gyle	7	71
Forth	8	48
Fountainbridge/Craiglockhart	22	190
Inverleith	42	412
Leith	25	173
Leith Walk	45	160
Liberton/Gilmerton	14	158
Morningside	47	231
Pentland Hills	2	20
Portobello/Craigmillar	12	82
Sighthill/Gorgie	13	66
Southside/Newington	102	731

**Question** (2) What is the current cost to install one/two/three/four cycle racks?

**Answer** (2) The unit cost per cycle rack or hoop, including installation costs and officer time, is approximately £250.00.

**Question** (3) How many cycle racks do you intend to install in each Ward before the end of this financial year?

**Answer** (3) There are two further phased roll-outs planned. It is hoped that Phase 3 will be delivered this financial year, with Phase 4 to follow in 2019/20.

The table below shows the total number of spaces planned in Phase 3:

**Phase 3**

<b>Ward</b>	<b>Spaces</b>
City Centre	98
Corstorphine/Murrayfield	6
Leith	6
Leith Walk	14
Morningside	28
Portobello/Craigmillar	10
Sighthill/Gorgie	14

**Question** (4) How many requests for cycle racks are awaiting start dates by each Ward?

**Answer** (4) There are 75 sites that are awaiting assessment for their suitability for cycle parking facilities. This list of potential sites for assessment is not split according to ward location as this is not a factor in the assessment process.

**Supplementary Question** Thank you Lord Provost and thank you Convener for your answers to the questions. One cycle rack in Colinton, Fairmilehead, two cycle racks sites in Pentland Hills installed since January 2016, zero cycle racks to be installed in these wards before the end of the financial year.

I requested a cycle rack over a year ago near to the Pentland surgery and subsequently one for Currie Community Centre, still no sign of any bike racks. On top of that, no walk cycle projects scheduled in either part of these wards. Active travel encouragement in this part of the city seems to have braked to a standstill. There are also two wards that are very high in car ownership and if you are serious about getting people out of their cars and on to bicycles in these areas, then quite simply what are you going to do about, it looking for a steer.

**Supplementary  
Answer**

Thank you Lord Provost, thank you Councillor Bruce for your supplementary. I think it's absolutely clear that this Administration is deeply committed to providing alternative modes of transport in the city, I think however you can see from the figures where there's been a history of concentration that's in the city centre and that reflects commuting patterns. It reflects increased use within the city centre, it does not mean to say that we're ignoring what's going on in the further out parts of Edinburgh. So, for example, in Phase 4 we have planned 18 cycle racks in Pentland Hills and that's reflected in some of the other figures attached to other wards. I don't think any inference can be taken from the fact that at the moment you've experienced a small delay on one cycle rack request. If you care to drop me the information because I have no approach on this from you, if you'd like to give me the information, I'll follow it up specifically and ensure that that one particular one that you are looking for is installed as soon as possible, thank you.

**Comments by  
the Lord  
Provost**

Before we move on to the next question, I've been fairly lenient up until just now because I have reminded members in previous meetings that supplementary questions are for clarification on points raised in the written response. If members want to expand the topic the option is there to raise motions for this meeting so I would expect and ask members to respect by going forward, thank you.



**QUESTION NO 11**

**By Councillor Mowat for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 20 September 2018**

**Question**

What services to the public were provided from the public counter at 249 High Street prior to the renovation works and where can the public now access these services?

**Answer**

Before and after the renovations at 249 High Street the public counter has provided a range of services, with the main functions detailed below:

- Licensing applications and payments
- Payment for Council services
- Council Tax/Benefit enquiries
- Scottish Welfare enquiries
- Young person services and signposting
- Immigration queries and advice
- Family Household support and signposting
- Housing support and advice
- General Council enquiries

At the time of the renovation the resident parking service moved to the Council's Drumbrae office. The Drumbrae office continues to be the main service location and will shortly be supported by an online parking application service, which is scheduled to go live at the end of 2018. This was the only service that did not return to 249 High following the renovation.

**Supplementary Question**

Thank you for the response. Given that most of the areas in the city with permit parking are within easy access of the city centre, is there any intention to move the residents parking service back to the city centre where people can walk to pick up their permits rather than have to drive to Drum Brae in line with the Council's active travel policies?

**Supplementary Answer**

I thank Councillor Mowat for her supplementary. In fact the feedback from customers suggests that they are, the problem has been about driving into the city centre in order to pick up their parking permits and it seems that there's a

lot more parking space available in Drum Brae for them to use and so far there hasn't been any negative feedback that I'm aware of, but as you know and as the answer says, there will increasingly be possible for people to apply online which means they won't have to travel at all.

**QUESTION NO 12**

**By Councillor Rust for answer by the  
Leader of the Council at a meeting of  
the Council on 20 September 2018**

**Question** (1) When was the decision taken to seek appointment of a Commercial and Procurement Director?

**Answer** (1) The decision to test the labour market for a potential Commercial Director was taken in April 2018

**Question** (2) Who took the decision and when was the minority Administration advised?

**Answer** (2) The decision was taken by the Chief Executive as the Council's statutory Head of Paid Service, in consultation with the Leader and Depute Leader of the Council, as well as the Convenor of the Finance and Resources Committee

**Question** (3) How does this role relate to the position of Director of Finance, Treasury Manager and other existing positions?

**Answer** (3) The Council has not employed a Director of Finance since the senior management structure was reorganised in 2011, when the posts of Director of Corporate Services and Director of Finance were merged into the role of Director of Corporate Governance.

The Executive Director of Resources, within the Council's current senior management structure, is now responsible for these functions, supported by the Head of Finance as the Council's Statutory Chief Financial Officer (Section 95 Officer) and other Heads of Service. The role of Commercial Director, if a successful appointment is made, will report to the Executive Director of Resources, alongside the Head of Finance. The Treasury Manager role, which leads upon the Council's treasury management activities, continues as a part of the Finance Division's management structure, within the Resources Directorate.

If a successful appointment is made to the proposed Commercial Director role, then the Executive Director of Resources will consider realigning some existing teams

within the directorate in support of this post. Such changes would be delegated operational management decisions.

**Question** (4) Was there consideration given to this being a commission based position?

**Answer** (4) This is a commission based position, i.e. any appointee would be expected to fully recover their own costs and to generate significantly greater income/savings. The post is also intended to be on a fixed-term basis only so that this does not add to the Council's senior management structures on a recurring basis. The initial costs for this position would be funded from the vacant post of Head of ICT within Resources, consequently there are no additional costs associated with this proposed appointment.

**Question** (5) What are the recruitment and any other costs to date?

**Answer** (5) The costs to date for the search activities for this role are £15,557 and these have been commissioned via the Council's approved supplier for search and selection activities. These costs have been fully underwritten from the savings generated through the vacant Head of ICT post.

**Question** (6) Why did the recruitment advertisement not mention the City Council?

**Answer** (6) Professional advice from the Council's search and selection supplier recommended that candidates with the right skills and expertise for this role would be predominantly based with private industry and that they would be highly unlikely to engage with a standard recruitment advert, or one in which a public-sector organisation was explicitly named.

**Question** (7) Will the identification and delivery of new commercial opportunities and savings from existing and future suppliers be subject to Committee/Council approval?

**Answer** (7) Any income generation opportunities or savings proposed through this approach will be subject to formal scrutiny, review and approval by Council or Committee, in accordance with the Scheme of Delegation and Contract Standing Orders.

**Supplementary  
Question**

Than you Lord Provost, I will leave the Council Leader to reflect on the fact that we can employ a pupil support assistant for a year on the amount that has been spent on recruitment alone thus far, or indeed more reflective of Administration priorities he could have had more than 20 times the current number of pop-up Bob models. However, my question is, given the strategic nature of the senior position, is the Council Leader content for the written answer to form part of the report to the Finance and Resources Committee on this proposed appointment to ensure proper governance scrutiny and transparency, given that elected members, including with the terms of the answer, the Vice-Convenor of Finance and Resources, have been kept in the dark to date?

**Supplementary  
Answer**

Obviously I don't recognise that characterisation. This has been a very long running process. The Conservatives will remember in previous years the Council did similar exercises to this Lord Provost but it wasn't bringing someone in to upskill us as an organisation, to make sure we are spotting the opportunities for additional revenue and also getting best value for money out of the public purse. In previous years what we did was employ firms to come in and do a kind of smash-and-grab raid in giving us recommendations to take forward and sometimes that worked and sometimes it didn't and I have to say the amount that this Council has paid for those services in the past has been vast. What we're talking about in this model is bringing in someone with those skills and expertise so that the senior management team of this organisation can be upskilled and so the organisation as a whole can be upskilled and so that they have a legacy of enormous hopefully financial benefits to this city which far far outweigh the salary and recruitment costs. So I find the comparison wrong and frankly crass from the Conservatives because the comparison shouldn't be with some of the dedicated hard-working frontline staff this Council employs, the cost comparison for us should be around the alternatives to this model of working. This has been an operational decision but it's at the end of a process led by my colleague Councillor Dixon and of course Councillor Rankin in terms of income maximisation which has gone on for some time and this has been the logical conclusion of all that work. In terms of a Committee report on the impact, if the Committee

wants to have a report the Committee can have a report, I don't think it's for me to stand here and commit to that so I'll speak to the Finance Convener about bringing something forward to Finance and Resources but the differential and the opportunity cost should be accurate, it shouldn't be against a teaching assistant, it should be against the millions of pounds, millions of pounds, that this Council has spent in the past getting similar strands of work from big firms like PWC who have come in and left us with those action points. So I'm happy for a cost comparison to be done, I'm happy for that to be done in Committee, I am happy to be done in this Council, but this cost comparison should be honest and transparent.

**QUESTION NO 13**

**By Councillor Douglas for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question**

What official polling has been carried out by the Council to find the opinions of Edinburgh residents with regards to the expansion of 20mph zones?

**Answer**

There has been no polling carried out.

A series of before and after public perception surveys are being undertaken as part of the monitoring of the impacts of the roll out and will be used, alongside other information, to inform the evaluation report which will be considered by Transport and Environment Committee in 2019.

**Supplementary Question**

Thank you, I thank the Convener for the answer. In a recent press release regarding the expansion of 20 mile an hour zones, the Convener said we need this quieter majority to speak out and make their voices heard. Am I right in thinking then from this answer that this statement wasn't based on any official polling and is in fact guesswork and is therefore very possible that the quiet majority she speaks of might in fact be in favour of a more targeted approach to 20 mile an hour zones rather than a ham-fisted blanket approach?

**Supplementary Answer**

Thank you for your question Councillor Douglas but I do occasionally wonder whether or not we live on the same planet and the reason why I say that is that the premise of your original question was about official polling. I can talk to you at some degree of length about what went on before this Administration, about intentions, the surveys that were put out ahead of the 20 miles per hour zone being introduced, the level of support that was received through the Edinburgh People Survey for that. There are various elements of that which I could probably bore your rigid with, but are there and could have been part of your dearth research before you actually submitted this question. In

addition to which there are two questions asked in February, one by yourself and one by Councillor Lang both of which referred in the answers to the survey that has been taken care of at the moment.

I'm sorry, I'm speaking to Councillor Douglas but he doesn't appear to be listening to my answer. Would you like me to start at the beginning, well I trust that one of your more attentive colleagues can brief you on what I've just said.

As I was mentioning there were two questions asked of me in February of this year, both of which refer to the survey that is coming forward, the full survey attached to all aspects of the 20 mile per hour action that will be coming forward to the Transport and Environment Committee in 2019, one of those questions was asked by yourself.

In terms of the silent majority that you refer to I'm talking about the need for those voices to be heard in the media and in communities because I think they're often drowned out by quite frankly the nonsense that has stirred up around certain aspects of transport policy by some of the opposition policy opposition politicians in this room. 20 miles an hour saves lives, that I think is the most important aspect of this policy and one that you should remember when you decide to bring forward yet another question about it to me in this committee



**QUESTION NO 14**

**By Councillor Corbett for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 20 September 2018**

**Question**

In light of the reported falling of masonry on 7 September from a building at the corner of Shandwick Place, within yards of where Christine Foster was tragically killed from falling stonework in June 2000, can the Convener update on discussions with the Scottish Parliament and Government on improving the legal framework for private property maintenance; and also on what steps are being taken to improve the range and quality of inspections of older buildings.

**Answer**

The incident at Shandwick Place was attended to by Shared Repairs who made safe the high level remaining loose leadwork on the building following the piece that fell onto the pavement.

On legislative change, there have been three meetings of the Parliamentary Working Group on Maintenance of Tenement Scheme Property. The purpose of the group is to consider and establish solutions to urge, assist and compel owners of tenement properties to maintain their property through legislative change, new initiatives and enhancement of existing rules and/or further action by Local Authorities. The Council are represented on this group and have extensively added to the discussion on what changes are required.

The options discussed by the group include Standard entities for Owners (residents associations), Sinking Funds and Building Inspections, however, the group has yet to finalise their recommendations and the timing of those.

Research done so far by MSP's, has found that only 7 local authorities use the Missing Share powers and less than 50% use enforcement powers to undertake repairs in default of owners. The principal reason cited for this is lack of resource. Edinburgh Council use both these powers.

**Supplementary  
Question**

Lord Provost by way of further clarification, does the Convener agree with me that the stormy weather over the last 24 hours shows the need for more not less to be done to ensure the safety of property throughout the city?

**Supplementary  
Answer**

I thank Councillor Corbett for his supplementary. Yes I do think it's particularly important that the Council service, which is currently in place and looks after emergency situations, are quite sure that that's something that ought to continue. It's a question of whether or not we decide to make that self-funding, or whether the extent to which we charge owners for any emergency works or prevention of works that are necessary. But I do think it is something that we need to continue to play close attention to. I think it's something as you know we've been working with a cross party group in the Scottish Parliament about this, and I think what we need to do is to identify where there may be gaps in the legislation and seek to take those forward so we have the powers to look after the city in the way that we need to and the safety of our citizens.

**QUESTION NO 15**

**By Councillor Young for answer by  
the Convener of the Education,  
Children and Families Committee at a  
meeting of the Council on 20  
September 2018**

**Question**

Please provide details on:

1. Council funding (routine funding or project-specific) given to the Muirhouse Millennium Centre in each of the last 5 financial years (including the current 2018/19 year)
2. For the amounts provided at (1), describe what the funding was to be used for and under which department it was funded (e.g. Children & Families)
3. Any non-financial council support (e.g. officer time) provided to the centre or to run clubs from within it, in each of the same 5 years
4. What formal representations have been made by the Millennium Centre in the past year, for assistance with Funding
5. What council-funded (in total or in part) youth services are provided in the Muirhouse area, out with the Millennium Centre

## Answer

### 1. and 2.

The organisation has received a grant from H&SC over this time as follows;

2014-15	£67,200
2015-16	£51,782
2016-17	£49,660
2017-18	£47,476
2018-19	£47,476

Below is the description of activity supported by the H&SC grant as shown in the grant register entry;

*The project provides training in numeracy /literacy /computing /Internet and life skills and job placements & college placements to motivate and help self development. Provides access for Community Employability/Community Renewal, Telford/Stevenson College to see clients and also make referrals. Enables children to access healthy snacks at no cost on a regular basis. Provides cooking classes for all ages producing low cost nutritional healthy meals. Provides opportunities for local residents to access various health and fitness programmes and live in a healthy environment and have access to green space and information and support for local residents from the Chest Heart & Stroke Association Scotland whom we are affiliated to. The project aims to improve mental health and well-being of older people. It offers support to single parents from the Muirhouse area through social and group work sessions and provides a safe and secure environment for counselling/mediation sessions. It also provides weight management and exercise groups.*

### 3.

A Lifelong Learning Development Officer was allocated time to support the development of provision for primary aged children in Muirhouse and the surrounding area. Prior to the development of the Locality Model (2016-17) this would amount to between 5-10 hours of support to the Muirhouse Millennium Centre per week. After the restructuring of Lifelong Learning this support was reduced to between 4-6 hours per week (2017-18). Due to other additional commitments, support to the Muirhouse Centre has been further reduced to about 2 hours per week in this current financial year.

We are still supporting the Junior Award Scheme Scotland (JASS) at the Muirhouse Millennium Centre.

This extends to two sessions per week for 30 weeks per year. We currently contribute 3 hrs of Part time Youth Worker time per session but no contribution to the running costs or room hire. Each group has 16 members and average attendance is 13.

4.

Muirhouse Millennium Centre has applied to Communities and Families for a grant award twice in the last 5 years (£15,554 for 2014-15 & £4,114 for 2016-17) however both bids were unsuccessful.

5.

Please see table below:

	<b>14-15 Total</b>	<b>15-16 Total</b>	<b>16-17 Total</b>	<b>17-18 Total</b>	<b>18-19 Total</b>
PYCP	250,659	242,387	238,276	154,946	153,875
Granton YC	116,700	112,849	107,207	51,609	49,575
MYDG	89,158	86,216	81,905	81,905	81,905
Spartans	-	-	-	2,000	-
Fetlor	4,821	4,662	-	5,000	5,000

**Supplementary Question**

Thank you very much Convener for the answer and for providing those details of the grant reduction of 30% and the officer support reduction of 80% over the last five years. So for the Millennium Centre could I ask the Convener please just by follow-up to provide details of the two Communities and Families applications that are mentioned in the answer and the reason for their refusal and I'm happy to have that sent to me by e-mail following the meeting.

**Supplementary Answer**

Yes, that can be done.

**QUESTION NO 16**

**By Councillor Young for answer by  
the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 20 September 2018**

**Question** (1) Please provide information on any outstanding pavement repairs in the Almond ward, where the footpath is part of a recognised safe route to school (officially or informally), including but not limited to the pavements on Pentland View Road and Liston Drive, around at the original entrance to Kirkliston Primary School.

**Answer** (1) Having clarified the question with Cllr Young, this answer covers the specific pavements surrounding Kirkliston Primary School.

Necessary repair works on Liston Drive, Liston Road and Liston Place (grass verge) are planned and liaison with local members and the community council on the timing of these will commence shortly. There are no plans to resurface the pavement on Pentland View Road as officers consider this to be in reasonable condition.

**Question** (2) For the list above, please provide details on when the work was requested and when it is due for completion.

**Answer** (2) The above works were originally identified following the installation of utility cables in the area in autumn 2017. The planned works and should be completed by Spring 2019 (School holidays).

**Supplementary Question** Thank you very much for the answer and I will say I will be very very attentive to the follow up response that I am given, sitting in my seat. Now I appreciate the answer given addresses the particularly bad example that I mentioned in my question about Kirkliston Primary so I will follow up directly with officers about the other impacted schools in the ward. As regards the rest of the question but on Kirkliston Primary and the response that we've been given of the

timescales of spring of next year, could I ask the Convener if she is aware that following me raising the condition of this pavement back in August of last year that I have been assured of repairs in the new budget year and then at the Easter holidays and then in the school summer holidays and here we stand now with a deadline of spring of next year. We do have an essential route to school where I can literally pick up chunks of the pavement in my hand when I'm walking children to school. So can the Convener please agree to review this timescale as a matter of urgency and see if we can try and bring these repairs forward to even the October holidays and if I could add my apologies for not perhaps declaring an interest as I have children at this school.

**Supplementary  
Answer**

Thank you Councillor Young. I'm aware that this question has been the subject of some back and forth with officials and thank you for the clarification on it. Clearly there are always problems when projects are pushed further back. My understanding is that there was a delay in securing the capital funding for this and that that helps explain some of the delay and that engagement around it will begin quite shortly. Being able to put something in place for this for October would be somewhat difficult I suspect but I will explore it with officers and we will come back to you on it, thank you.

**QUESTION NO 17**

**By Councillor Young for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

Following the request made by the Liberal Democrats after the 2017 event, increased engagement has taken place between the event organisers and the Kirkliston Community Council. It is hoped that feedback from the community will reflect some improvement on last year.

Please confirm the following:

- Question** (1) When the debrief from the 2018 event is due to take place
- Answer** (1) The date of the debrief is still to be agreed with Cycling Scotland and the event organisers.
- Question** (2) That the Kirkliston Community Council will be invited to participate in the debrief
- Answer** (2) Feedback will be sought from Kirkliston Community Council in advance of the debrief meeting and will be used, together with feedback from the other Community Councils on the route, by officers in the meeting discussion.
- Question** (3) Whether the Council intends on returning the event to Kirkliston in 2019
- Answer** (3) The route for 2019 has not yet been confirmed by the event organisers.
- Question** (4) If the answer to (3) is yes or unconfirmed, to please explain what alternative routes have been explored for the event, now that Kirkliston has grown considerably in size.
- Answer** (4) The contract to deliver this event in the next three years is currently being tendered by Cycling Scotland. I am aware that Cycling Scotland would like to explore alternative finishing points for the event but there have been no discussions on alternative routes or end points.



**QUESTION NO 18**

**By Councillor McLellan for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 20 September 2018**

**Question** (1) How many school let applications have been lost or turned down in the year to date because of a shortage of janitorial cover?

**Answer** (1) Currently we have not turned down any full let applications due to a shortage of Janitorial cover.

We have had to delay some of these lets however with the added pressure on the lets team of having to look for alternative venues for some groups, or/and source Janitorial cover from the wider FM pool.

Officers are gathering information on numbers of bookings that have been unable to be taken due to lack of janitorial cover, the number of bookings that have had to be cancelled due to no cover and how many instances have people turned up having not been notified of a cancellation in advance. These will be circulated to members as soon as this is available.

**Question** (2) What progress is being made with a recruitment programme by Facilities Management to recruit new janitorial staff?

**Answer** (2) In addition to our normal recruitment processes (advertising on myjobscotland), a dedicated webpage was set up and a social media campaign using Google adverts was run to promote the vacancies. This campaign had 70,000 views with 542 sharing the advert or clicking the link. This campaign resulted in 82 applications. It is likely all full time posts will be filled but a second, more local targeted campaign will be run to try for those harder to fill part time posts that are still outstanding.

**Question** (3) What guarantees can be given to applicants for school lets that their applications will be dealt with timeously, even if it is a rejection, so the services they provide are not disrupted?

**Answer**

- (3) All let applications are now confirmed within 14 days of the original request and this is the timescale agreed with FM for their confirmation of Janitorial cover.

If there are issues with finding Janitorial cover or if there are additional issues caused by a result of the works program, the lets team would not issue a lets permit.

It is part of our agreed business processes that a let applicant should not attempt to enter a Primary school for their let without a permit being granted.

We endeavour to give as much notice as possible regarding changes to a let but acknowledge that due to volumes of requests and relocating of venues, affected by works this year, this hasn't been as timeous as we would like.

Our position would be in all cases to offer an alternative location to ensure that lets continue to go ahead for our Citizens rather than to reject.

**Supplementary Question**

Thank you very much and I think it's fair to say that all members of this Council across all wards will probably have had contact from members of the public about concerns about the school letting system this summer. We had a very helpful briefing note issued earlier this week, although I don't think that concerns that communities have have been entirely alleviated especially with the advice that requests can't be guaranteed, unforeseen circumstances will obviously occur from time to time, this does seem to give a rather large get out.

I have also heard this week from the Head of Customer, Nicola Harvey, who's looked into this issue and I'm happy to report that she's introducing a much more robust process into the communication of lettings and the outcomes. So given we're waiting for further information it might be best that that information is contained in a report to the Education, Children and Families Committee, but can I ask the Convener if he will ensure that the new measures that are being taken to communicate the way the system will operate to the public will be put in place and that there will be a more effective understanding of what to expect when

you try to book a let and will he also continue to work with officers to find permanent solutions to minimise the doubt from the system? Thank you.

**Supplementary  
Answer**

Thanks for that supplementary and I would agree we've all had e-mails about this and clearly something hasn't gone right with this process. I certainly know in the past once you change a system things can happen and things pop up, which you didn't expect. For instance, in Royal High Primary School, I had a letter from the cubs and scouts organisation saying a janitor didn't turn up and the reason the janitor didn't turn up was because it wasn't on the central letting system, the janitor locally had just done a local agreement with these two organisations and it was not registered centrally, so clearly when you change a system then these things do pop up. We need to wait for the information to come back in paragraph 3 so we can then review what's happening. Not only can we review what's happening, we need to review the management of the system and where that is reported back in. Clearly in the first instance that will come to the Education, Children and Families Committee but part of that report needs to look at the future and how we manage in future, so all that information will come back in that report.

**QUESTION NO 19**

**By Councillor McLellan for answer by  
the Leader of the Council at a  
meeting of the Council on 20  
September 2018**

**Question** (1) In light of the absence of any mention of the Transient Visitor Levy (TVL) in the Scottish Government's Programme for Government, to ask the Council leader:

What meetings have taken place with the Cabinet Secretary for Culture Tourism and External Affairs to discuss TVL since her July 4 message to him that he had "no shared plans, no tourist business consultation and no agreement with the Scottish Government?"

**Answer** (1) Since the 4<sup>th</sup> of July I've had a brief direct conversation with the Cabinet Secretary and arranged to follow this up with a more substantive meeting to discuss a range of topics of importance to the Capital.

**Question** (2) What discussions there have been with the Cabinet Secretary for Finance about TVL and their outcome?

**Answer** (2) I've had a number of meetings with the Cabinet Secretary to discuss Edinburgh's TVL proposition and a range of other topics of importance to the Capital.

**Question** (3) To confirm there is no realistic prospect of legislation being introduced in this Parliament to enable the Council administration to establish a TVL system in Edinburgh

**Answer** (3) I'm working to deliver this key part of the administration's programme. If Cllr McLellan is concerned with the likelihood of implementation, he should encourage his Conservative Council group to support the administration's plans (bearing in mind every Conservative Council leader in Scotland has supported COSLA's request for these powers).

**Question** (4) To provide full details of the total expected cost of the TVL consultation

**Answer**

- (4) The cost of roundtables etc. to date have been met by the existing council officer workforce, and under their standard job roles and duties. The consultation exercise carried out by Marketing Edinburgh was carried out at no cost to the Council.

**Supplementary Question**

Thank you very much, it's the SNP's own version of wackamo when the council leader pops up to talk about the TVL down comes the mallet from his ministerial masters not once but twice. I just have three questions, supplementaries.

Firstly, what contact has he and his officers made with the Scottish Tourism Alliance to persuade them of the case for TVL particularly in the past week since he told the Culture and Tourism Committee he didn't recognise the STA's claim that there had been no consultation with them?

Secondly while I don't doubt he's working to deliver the TVL no doubt that it's a key part of this programme, can I ask again whether or not he accepts that setting aside the arguments for and against, that with the absence of TVL from the programme of government the necessary legislation will not be introduced in this parliament?

Thirdly, if it doesn't accept that legislation will not be brought forward and thinks that it will before 2021 and now possibly 2020 thanks to Lord Faulks, what information does he have to support that view?

**Supplementary Answer**

Apologies Lord Provost, I missed the first of the third question but I'll answer the first two and then the Councillor can come back. In terms of engagement with the STA, members of the Scottish Tourism Alliance have taken part in the round table events that we have run over the last few months, Councillor Day and myself have attended I think 4 such events with key stakeholders in the city. Our senior policy officers also briefed the Edinburgh Tourism Action Group where the STA were in attendance and our senior policy officers have offered to attend the STA's conference this year to present our plans and our findings. It's worth saying Lord Provost, the STA are not the only show in town on this, the Federation of Small Business obviously are an important lobby group as are the Association of Self

Caterers who I've met not only through our round table events but one on one which I followed up with as well, and obviously we've had discussions with a whole host of key large scale players in the City. But there are also organisations that we shouldn't forget about like the European Tourism Association who I think are in a far better place understanding the context of this policy in a continental context and some of the impacts that it's had elsewhere and some of the benefits that it may bring so we shouldn't be ignoring all the other representative bodies as well as some of the big players within this city.

We did not request this policy to be in the announcement of the Programme for Government. That is not the time scale we are waiting for, we are working to a very robust process to finalise the plans that we have and at that point maybe the Conservatives should actually have read our paper that went in May Lord Provost, setting out the process that we have committed to, I hope they pay a bit more attention when we bring our paper to the 2 October's Corporate Policy and Strategy Committee, then they might actually understand the issue a bit more.

I'll bow to Councillor McLellan to just give me the first bit of the third bit of the question that I missed.

**Councillor  
McLellan**

It's simply if you don't accept the legislation will be brought before 2021 what information do you have to support that view?

**Councillor  
McVey**

Thank you very much. This is the second Programme for Government that's been announced in this parliament so I don't accept that this somehow is the only announcement that the Scottish Government will make between now and 2021. We are working to a timescale to deliver this within our Administration term. The Programme matrix that we have brought I think three times to various Committees and Council sets a target date of the end of this Administration, that is our commitment that is what went out to the people of Edinburgh and committed to and that's what I'll be focused on delivering and I'm confident of delivering it for the people of Edinburgh.

**QUESTION NO 20**

**By Councillor McLellan for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question** (1) How many complaints of poor workmanship have been made to the Council's trading standards service in the past three calendar years?

**Answer** (1) Complaints of poor workmanship will only be passed to the Council by the Citizens Advice Consumer Service where a criminal element has been identified. There is no specific category for poor workmanship on our system however officers consider the total number of these complaints to be low.

**Question** (2) How many of those complaints has the service been able to act upon?

**Answer** (2) All cases of criminality have been investigated.

**Question** (3) How many complaints involved concerns about safety of power supplies?

**Answer** (3) Again, the Council system does not record this information.

**Question** (4) How many complaints were referred to the Health & Safety Executive?

**Answer** (4) It is extremely rare for the Council to refer a complaint to the Health and Safety Executive as the Citizens Advice Consumer Service will normally direct enforcement actions to the appropriate agency on receipt.

**Question** (5) What input into the Scottish Government's proposed new consumer protection service will the council have?

**Answer** (5) The Society of Chief Officers of Trading Standards in Scotland (SCOTSS) will be considering its formal response to the current Scottish Government Consultation exercise on 27 September. City of Edinburgh Council will contribute to this discussion through officers in attendance.

**Supplementary  
Question**

Thank you very much. There's an obvious irony in asking about standards in the trading standards department and if anything these answers demonstrate gaps in the knowledge of the work of a Department which the public would probably still perceive as being an important Council resource.

This issue came to light as a result of a complaint from a constituent who suspected that electrical work carried out in his home was contrary to regulations and was dangerous.

To cut a very long story short he has been passed around from Citizens Advice, our Trading Standards Department into a kafkaesque limbo in which the Department will only confirm receipt of a complaint if they're launching an investigation. After I got involved with this issue he was told the matter would be reported to the Health and Safety Executive which makes me wonder about the answer to question 4. So I have three further questions, firstly

**Lord Provost**

One please, Councillor MacLellan.

**Councillor  
MacLellan**

In the light of how little information there is, how do we know that the claim in answer one is reliable and how many cases of criminality have been investigated in the last year and what were the outcomes?

**Supplementary  
Answer**

I'm not entirely sure how to answer that interesting question. You've received a set of answers from our officials which state quite clearly that we understand that there is an issue with where these complaints go to. I think you're asking about something which should be dealt with by an organisation other than ours, in other words the Health and Safety Executive. There are many routes to achieving resolution around some of these issues and it may be that your particular constituent needed to find the right route to that, thank you.



**QUESTION NO 21**

**By Councillor Doggart for answer by  
the Chair of the Edinburgh  
Integration Joint Board at a meeting  
of the Council on 20 September 2018**

**Question** (1) Could the Chair confirm what management actions have been completed for the 19 high rated and 22 medium rated findings from the 2017/18 Internal Audit Report referred to the EIJB by GRBV?

**Answer** (1) Of the 19 high rated findings, there were 47 management actions agreed and of those:

- 23 management actions have been closed and verified by Internal Audit.
- 19 management actions have been implemented and is pending Internal Audit Validation or further evidence to support closure is required.
- Work has begun to implement 5 management actions.

Of the 22 medium findings, there were 83 management actions agreed and of those:

- 37 management actions have been closed and verified by Internal Audit.
- 30 management actions have been implemented and is pending Internal Audit Validation or further evidence to support closure.

Work has begun to implement 16 management actions, some of which require collaboration with other Council departments. This collaboration is in hand.

**Question** (2) Which of those 41 findings does the Chair now believe are closed?

**Answer** (2) A total of 15 risk findings are closed with 11 high risk findings and 4 medium risk findings

**Supplementary Question** Lord Provost I do have a supplementary but given we have an empty chair representing the IJB I just wondered if there is another Administration councillor who can take the question?

**Lord Provost** Councillor Child?

**Councillor Child** Not to take the question but Councillor Henderson has been unavoidably detained in London by the storm and trees down on the line, so he gives his apologies to the Council, but has asked me to say that if there are any supplementary questions then he will be happy to respond in writing.

**Lord Provost** So you can feel free either to give your supplementary question here so that it's on record for him to then respond or you can contact directly whichever.

**Councillor Doggart** I think it's important that the question's on the record Lord Provost so could, sorry to disappoint you but that's the purpose of this meeting, could the Chair confirm when all the Internal Audit findings will be completed and particular could he confirm that the actions resulting from the unsatisfactory processes into commissioning on Social Care will be met by the target date of December 2018 so that we have a start date for improving the possible Council performance in this area, thank you.

**Councillor Aldridge** Lord Provost, just on a point of order, we had a similar experience at the last meeting, I just wanted to confirm that the written answer to that supplementary question will be included in the minutes of this meeting.

**Lord Provost** Yes it will.

**Supplementary Answer** From the 19 high findings:

- 13 audit findings have been closed
- 2 audit findings are due for completion by June 2019
- 4 audit findings are undergoing IA validation

From the 22 medium findings:

- 9 audit findings have been closed
- 2 audit findings are due for completion by November 2018
- 1 audit finding is due for completion by July 2019
- 5 audit findings are due for completion by December 2018
- 2 audit findings are due for completion by January 2019
- 3 audit findings are undergoing IA validation

For those audit findings beyond December 2018, Internal Audit are in agreement with the date extension.

**QUESTION NO 22**

**By Councillor Smith for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 20 September 2018**

**Question** (1) Of the school estate works previously advised to Members, as a result of the 2018 Outcome of Property Condition Surveys report, that had been planned to take place before the start of the new 2018/19 school year, what work:

- (a) was completed to standard;
- (b) was started, but not completed to program or standard;
- (c) was not started.

**Answer** (1) The report on the outcome of the property condition surveys prompted the allocation of significant additional investment in addition to the standard annual upgrade programme of £14m pa. This extra resource enabled the Council to focus upon 21 primary schools most in need of investment. Of these 21 schools, none were programmed for completion for by the start of the 2018/19 school year. All of the projects are of significant scale and programmed to continue into 2019/20 financial year, or beyond, before full completion. The answer to questions 1 (a), (b) and question 2 is therefore none.

The answer to question 1 (c) is that there was some slippage in project commencement at 8 schools due to the following factors:

- Pressures on the procurement framework; the tender returns were considerably higher than the estimated budgets for some projects. In a few instances no tender returns were received, requiring retendering to additional contractors and project value engineering wherever possible;
- Allocating additional time to enabling works prior to project mobilisation to mitigate health and safety risks resulting from the extent of asbestos identified following intrusive surveys

- Detailed surveys in a number of schools revealed historic issues which triggered the need to reduce or increase the scope of works to align with the wider property strategy.

This slippage is expected to be recovered over the duration of the project works.

**Question** (2) For any work that was not completed as programmed, what were the reasons?

**Answer** (2) There were no programmed works that were not completed.

**Question** (3) What meetings have the Vice Convener and Convener attended over the last four months in an attempt to keep this work programme on schedule?

**Answer** (3) The management of these issues is an operational and contract management responsibility. As such an officer led asset management works board meets on a 6-weekly basis to oversee the entire asset management works programme. This board includes officers from Communities and Families and the Communications Team, as well as Property and Facilities Management. To ensure elected member oversight and scrutiny, regular updates are provided on the asset management works programme to the Finance and Resources Committee, as part of the Asset Management Strategy Update reports.

**Supplementary Question** Thank you Lord Provost and I thank the Convener for his answer. Given there's been some slippage, to use the Convener's word, in the timescales for starting some of the works, I wonder if after each significant school break we could have an update, even by way of short briefing notes of the works that have been started and completed in the interim period and keep all members and particularly local members briefed and not just those on the Finance and Resources Committee as I am aware there were projects due to start in a number of schools over the summer which either haven't been started and completed and it would be helpful to have a note of where we are in the programme as we go along.

**Supplementary  
Answer**

I thank Councillor Smith for her supplementary. I perfectly well understand that this programme of works was of interest to more people or more Councillors than the members of my Committee, so I'd be happy to ask the officers to produce that information in a timely fashion for our members as a whole.

**QUESTION NO 23**

**By Councillor Webber for answer by  
the Convener of the Finance and  
Resources Committee at a meeting  
of the Council on 20 September 2018**

**Question** (1) How much Public Funding has been awarded to Councillors through the Access to Work Programme?

**Answer** (1) The Access to Work Programme is operated by Department for Work and Pensions as an employment support programme to help disabled people start or stay in work. Discretionary grants are made to the employee (the councillor) not to the Council, to provide e.g. equipment or support workers

**Question** (2) In each case when was this funding first applied for and when was the funding put in place?

**Answer** (2) Any application for Access to Work funding is made by the individual with funds awarded to that employee. The date of any application and award of funding will be held by the councillors concerned not by the Council.

**Question** (3) In each case what is this funding being used for?

**Answer** (3) Each individual case is determined by DWP based on the needs of the employee.

**QUESTION NO 24**

**By Councillor Corbett for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 20 September 2018**

**Question**

What is the early feedback from the implementation of new arrangements for facilities management at schools and community centres, as regards community and post-school use; what options are available to schools and community centres to sustain and expand use in non-core hours; and when will a review be undertaken of the impact of new arrangements

**Answer**

The new janitorial model went live on 6 August. Recruitment is actively being pursued because the new service model included an equivalent increase of 33 full time equivalent staff, as well as introducing the new Janitorial Supervisor roles.

In general, the feedback from schools is encouraging at this early stage, but there are some very specific challenges around resources which is as a direct consequence of a labour supply shortage in this area. In addition, the janitorial team are supporting a significant level of capital works projects across the Council's operational estate following the additional investment approved by the Council. Within community centres, many of the Janitorial roles are part-time, and these make up the larger part of vacancies.

The janitorial model does not restrict the use of schools or community centres to sustain or expand use in non-core hours. However, out with the funded core hours additional janitorial hours will need to be funded.

A period of three months has been set to carry out an initial review of the new model.

**Supplementary  
Question**

Thanks Lord Provost. This obviously is similar to Question 18 that Councillor MacLellan asked, but I just want to make sure that given there's now an assurance about three month review being carried out which would be mid-November in my estimation that it won't just be a review of procedural matters, but will actually take into account the concerns that many community groups and schools have raised about access to schools.

**Supplementary  
Answer**

I thank Councillor Corbett for his supplementary. You raise a perfectly valid point and I do understand the concerns that have been expressed as a result of the janitorial review and I'll ensure that the points that you mentioned are addressed in the report when it comes forward.



**QUESTION NO 25**

**By Councillor McLellan for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

Seafield Recycling Centre

**Question** (1) To provide an assessment of the new traffic system at the Seafield recycling centre.

**Answer** (1) The current traffic management arrangements are temporary to facilitate site construction and has therefore not been assessed. These are continually being monitored to ensure the safety of staff and the public.

(2) To detail the monitoring and evaluation arrangements for the new system.

(2) Informal arrangements are in place currently to monitor arrangements and to deal with issues as soon as these arise.

(3) To reassure Craigentiny residents using the centre that the new arrangements will be reviewed in light of the considerable inconvenience they are now being caused.

(3) These temporary arrangements are in place for the duration of the development works. Entrance and exit arrangements for the public will be via Seafield Road when the redevelopment is complete.

**Supplementary Question** Thank you very much and thank you very much for the answer which confirms that the substantial changes are indeed permanent at the Seafield recycling centre whereby local people will now have to exit and egress on to what is already a very busy road and turns what was a matter of a couple of hundred yards into a 30 mile round trip. I've had a number of contacts from constituents about this issue and can the Convener therefore commit to a further review of the arrangements to monitor the impact in Seafield Road, with a view to making adjustments as necessary?

**Supplementary  
Answer**

I can commit to coming back to you on some of those matters yes and I will discuss with officials exactly the most efficient way to do so. I would add that the arrangements in place at the moment are temporary as a result of the construction.

**Lord Provost**

Time has now expired, the allotted time for questions has now expired, we'll move on to the next item on the agenda.

**QUESTION NO 26**

**By Councillor Laidlaw for answer by  
the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 20 September 2018**

**Question** (1) Could the Convener supply details of why the Council were unsuccessful in attracting any bids for the proposed clean-up and cut-back of the A1/Sir Harry Lauder road when the project was put out to tender earlier this year? And can the Convener commit to now utilising Council resources for this key maintenance plan, at a key gateway to the city, which was first agreed at the start of the year but is yet to secure a start date.

**Answer** (1) No reason has been provided by commercial contractors for not tendering for this work when it was advertised, and reasons would not normally be provided or expected given the commercial nature of decisions by individual firms.

Council resources are currently being co-ordinated to allow litter picking, vegetation cutting, street sweeping and drainage clearing to be undertaken at this location.

**Question** (2) If so could the Convener inform Council of an indicative date.

**Answer** (2) It is anticipated that this work will be undertaken in October 2018.

**Question** (3) Can the Convener confirm how often road cleansing and maintenance programmes are offered to private contractors and how frequently the Council fails to attract any bidders?

**Answer** (3) Road maintenance programmes are routinely offered to external contractors as part of a Framework Agreement. Generally these arrangements do attract bids from the approved contractors.

There is no such arrangement for routine grounds maintenance of arterial routes in the city although this is currently being investigated.

**QUESTION NO 27**

**By Councillor Laidlaw for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 20 September 2018**

**Question**           (1) Could the Convener supply details of the cost of resourcing the software upgrades required to bring computers supplied to schools as part of the IT Refresh programme up to the required standard, following reports that CGI supplied classroom computers that were not equipped with the software to run the interactive Smartboard white boards and which were not supplied with Optical Drives which are now being retrofitted?

**Answer**            (1) Within the Learning and Teaching (Schools) ICT estate the agreed deployment model is for software to be downloaded and installed directly within schools using a self-service portal. This enables individual schools to flexibly address their curricular needs from a software perspective. There are no additional costs relating to the self-service portal software updates. Positive feedback and examples already exist of specialist software being successfully deployed within the Schools ICT estate and improving the experience of learning and teaching.

To ensure that an effective deployment approach was undertaken, a number of pilot school implementations were completed, in both primary and secondary settings. These pilots identified an issue with the installation of Smartboard software. This has now been addressed as part of the lessons learned and measures have been put place for all future rollouts. There are no additional costs to the Council or the Schools in relation to this adjustment.

Feedback from the pilot schools also identified a small number of areas where DVDs were still required for curricular purposes. These are being provided to the pilot schools at no cost to the Council. For the broader school deployment, a process has been put in place to identify

devices that require DVD drives in advance. Such devices can be ordered at a small cost to the school. Strategically, the requirement for DVD drives will be phased out over time through the transition to digital web services.

**Question** (2) And can the Convener confirm if CGI will be held accountable for failure to supply the correct hardware or will meet the costs required to upgrade and retrofit these computers, or will the additional resource be met by City of Edinburgh Council budget?

**Answer** (2) CGI has not failed in the deployment of the correct hardware or software to the Council's Schools. Working in partnership with the Council's ICT Team and with the Schools themselves, CGI is continuing with the deployment of new devices as part of a major, planned investment in the ICT estate which will continue to the end of June 2019. This planned upgrade will extend to all Schools and across the Council's corporate ICT estate. The costs of this device refresh are fully contained within the existing ICT Budget for the Council.

The only minor additional cost to individual Schools that may arise through this project, as indicated in the response to question 1, is the purchase of DVD drives. However, as indicated the requirement for DVDs for curricular use should be reducing over time.

**QUESTION NO 28**

**By Councillor Douglas for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 20 September 2018**

**Question**

To ask the Convener what the estimated cost will be of providing 'pop-up Bob' cut outs as part of the policing of 20mph zones, and how many the council are expecting to be distributed?

**Answer**

'Pop up Bob' is a plastic, re-useable model of a police officer with a hand-held, speed detection device that is deployed to help deter speeding and improve road safety. It is one of a suite of measures included in a toolkit of activities and resources that has been put together to help local communities promote calmer speeds.

City of Edinburgh Council has spent £734.15 on 'Pop up Bob' cut outs.

**QUESTION NO 29**

**By Councillor Booth for answer by  
the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 20 September 2018**

**Question**

For each of the council's controlled parking zones and priority parking areas: what is the total number of vehicles with a parking permit; and, of that number, how many are permits in respect of second vehicles for the same household?

**Answer**

The table below provides the number of valid first and second residential parking permits across all parking zones.

<u>Permit Zone</u>	<u>Total Permit Count</u>	<u>Permit 1</u>	<u>Permit 2</u>
Zone 1	1120	957	163
Zone 1A	606	504	102
Zone 2	269	236	33
Zone 3	601	565	36
Zone 4	1039	948	91
Zone 5	1079	922	157
Zone 5A	1174	1004	170
Zone 6	1579	1367	212
Zone 7	1264	1132	132
Zone 8	1233	1087	146
Zone N1	1727	1572	155
Zone N2	777	690	87
Zone N3	1267	1114	153
Zone N4	87	81	6
Zone N5	291	265	26
Zone S1	1128	976	152
Zone S2	1505	1327	178
Zone S3	1399	1219	180
Zone S4	1217	1145	72
Zone K	22	22	0
PPA B1	486	412	74
PPA B2	313	266	47
PPA B3	25	19	6
PPA B4	51	42	9
PPA B5	35	30	5
PPA B6	199	168	31
PPA B7	154	125	29
PPA B8	23	20	3
PPA B9	270	205	65
PPA B10	49	48	1
<b>Grand Total</b>	<b>20989</b>	<b>18468</b>	<b>2521</b>



**QUESTION NO 30**

**By Councillor Main for answer by the  
Chair of the Edinburgh Integration  
Joint Board at a meeting of the  
Council on 20 September 2018**

Gylemuir Care Home for older people has received poor Care Commission inspection reports for the last couple of years and the most recent review, published on 8th August this year shows further decline

	<b>3 May 2018</b>	<b>8 August</b>
<b>2017</b>		
Quality of care and support	2 – Weak	2 – Weak
Quality of environment	3 – Adequate	3 - Adequate
Quality of staffing	3 – Adequate	3 - Adequate
Quality of management & leadership	2 – Weak	3 - Adequate

The Care Commission’s Quality Framework for Care homes for Older People, July 2018 provides the definitions:

An evaluation of adequate applies where there are some strengths but these just outweigh weaknesses. Strengths may still have a positive impact but the likelihood of achieving positive experiences and outcomes for people is reduced significantly because key areas of performance need to improve. Performance which is evaluated as adequate may be tolerable in particular circumstances, such as where a service or partnership is not yet fully established, or in the midst of major transition. However, continued performance at adequate level is not acceptable.

An evaluation of weak will apply to performance in which strengths can be identified but these are outweighed or compromised by significant weaknesses. The weaknesses,

either individually or when added together, substantially affect peoples' experiences or outcomes. Without improvement as a matter of priority, the welfare or safety of people may be compromised, or their critical needs not met.

**Question** (1) What immediate actions have been taken to ensure that the elderly and frail living at Gylemuir are not at risk and that their critical needs are being met?

**Answer** (1) Considerable work to improve standards in Gylemuir has taken place over the past 8 months and an action plan has been put in place to address the requirements from all inspections.

Some of the actions that have been completed include:

- A robust referral process and better working relationships are now in place across the system, to ensure that Gylemuir is a suitable placement and all necessary paperwork is complete (e.g. medical history and funding arrangements) before transfer.
- Utilisation of an assessment tool, that provides a consistent method of translating the needs of residents into the number of care hours required which is measured fortnightly.
- All residents have a person-centred care plan, focusing on a 6-week period which is the expected maximum length of stay. The care plan would be adapted if a resident's stay is likely to exceed 6 weeks.
- Staff have organised to have children from a local nursery visit Gylemuir on a regular basis to encourage and develop inter-generational relationships, which is widely acknowledged as very good practice.
- Gylemuir is the first care home to sign up to John's Campaign, encouraging engagement and involvement of families and carers to enhance the care provided to residents.

Gylemuir has the capacity to care for 60 residents, however to ensure the environment is adequate to support high

quality care, the capacity will remain at 40 until it has satisfactorily progressed to be suitable for an increase to the number of residents.

**Question** (2) Have the 7 new required actions been met within the timescales to be achieved of 30 June to 31 August? If not, what actions remains outstanding?

**Answer** (2) Five out of the seven actions required have been met within the timescales and the manager is looking at further ways to improve service delivery within Gylemuir.

In relation to the two outstanding actions, one relates to training and the manager is developing a training and development plan with staff and the second relates to community-based activities, and this is being explored further.

**Question** (3) What progress has been made with the 5 outstanding requirements from previous inspections dated February 2016 and September 2017?

**Answer** (3) Four out of the five outstanding actions have been met and are now in place, the one outstanding action relates to community benefits which is being explored further by the Service Manager.

**QUESTION NO 31**

**By Councillor Booth for answer by  
the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 20 September 2018**

**Question**

At the full council meeting on 23 August 2018, the Vice-Convener of Transport & Environment agreed to meet with cycling and pedestrian organisations to discuss a timetable for the opening of the cycle path on Leith Street for use by cyclists.

When did that meeting happen, who was invited, and what was the outcome of the meeting?

**Answer**

As a result of objections to the proposed cycle path on Leith Street this cycle route has been closed until the redetermination order (RSO) is received. This matter is currently with the Scottish Ministers. Whilst Council Officers are liaising with the representative of the Scottish Government, the council is not in control of either the process or programme.

Once the outcome of this RSO process is known then, as has been committed to, a meeting will be arranged with relevant the cycling and pedestrian organisations to communicate the outcome, including the ramifications of the decision to the affected consultees.

This meeting will also address the short-term measures and modifications that will be necessary to recognise the impact of the works being undertaken in Picardy Place prior to implementation.

In the meantime, Officers continue to meet with Spokes and Living Streets regularly and there is ongoing dialogue, particularly with Spokes on Leith Street, at these meetings

**QUESTION NO 32**

**By Councillor Booth for answer by  
the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 20 September 2018**

**Question**

What progress has been made in the working group to discuss the feasibility of training volunteers in the use of speed guns? What is the timetable for this work?

**Answer**

This is a Police Scotland project and the working group are awaiting research on the scheme and its operation in a neighbouring Local Authority area before discussing the feasibility of training volunteers to use speed guns. We do not currently have a timetable for this work.

## Item no 5.1

### QUESTION NO 1

**By Councillor Mary Campbell for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 25 October 2018**

#### **Question**

In the last five years, how many property tenders put out by the council have received -

- a. No bids
- b. 1 bid

Please break down the information by financial year.

#### **Answer**

## Item no 5.2

### QUESTION NO 2

**By Councillor Staniforth for answer  
by the Convener of the Culture and  
Communities Committee at a  
meeting of the Council on 25 October  
2018**

The council has recently passed a Fair Fringe charter. Despite that this Fringe it has been alleged that C Venues classes its staff as 'volunteers' and pays them only £200 plus accommodation for working over the festival period.

**Question** (1) What is being done to publicise venues that have signed up to the Fair Fringe Charter and to make both the public and performers aware when a venue has not?

**Answer** (1)

**Question** (2) What is being done to ensure that those venues signed up to the Fair Fringe Charter adhere to it?

**Answer** (2)

## Item no 5.3

### QUESTION NO 3

**By Councillor Laidlaw for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

**Question**           **(1)** Can the Convener provide an update on plans for routine grounds maintenance of arterial routes in the city which was confirmed in September 2018 as not in place but currently being investigated?

**Answer**             **(1)**

**Question**           **(2)** Could the Convener provide the following details in her answer?

- a) Scope of work being considered.
- b) Routes deemed 'arterial' under these considerations.
- c) If the work would be delivered by contractors or council employees.
- d) Timescale for proposals and if these will come to Transport and Environment or Finance and Resources Committee.
- e) If commercial sponsorship for landscaping and/or public art has been considered.

**Answer**             **(2)**



## Item no 5.4

### QUESTION NO 4

**By Councillor Hutchison for answer  
by the Convener of the Housing and  
Economy Committee at a meeting of  
the Council on 25 October 2018**

From 1st December 2015, private landlords are responsible for ensuring that an electrical safety inspection of their property is carried out by a registered electrician at least every five years.

As of 1st December 2015, under sections 13(4A) and 19B(4) of the Housing (Scotland) Act 2006, private landlords in Scotland are required by law to ensure that their properties are electrically safe.

This covers:

- Any installations in the property for the supply of electricity
- Electrical fixtures and fittings
- Any appliances provided by the landlord under the tenancy.

Landlords must be able to prove that all of the above are in a reasonable state of repair and in proper working order.

Can the Convener please confirm;

- |                 |   |
|-----------------|---|
| <b>Question</b> | <b>(1)</b> What proportion of our Council Housing stock has received an Electrical Installation Condition Report in the last 5 years?<br><br>a) Across the city<br><br>b) Broken down by ward |
| <b>Answer</b>   | <b>(1)</b>  |
| <b>Question</b> | <b>(2)</b> Does the Council routinely carry out Electrical Installation Condition Reports on a change of tenancy?   |
| <b>Answer</b>   | <b>(2)</b>  |

**Question** (3) Of the Council Housing stock inspected under the Electrical Installation Condition Report regime, how many properties have been found to be electrically unsafe?

- a) Across the city
- b) Broken down by ward

**Answer** (3)

**Question** (4) Of the Council Housing stock inspected under the Electrical Installation Condition Report regime, how many properties have been found to be uninhabitable?

- a) Across the city
- b) Broken down by ward

**Answer** (4)

**Question** (5) What arrangements the Council has in place to ensure all Council Houses have an Electrical Installation Condition Report?

**Answer** (5)

## Item no 5.5

### QUESTION NO 5

**By Councillor Whyte for answer by the Leader of the Council at a meeting of the Council on 25 October 2018**

The “research paper” produced by the Council indicated that, were the Council to have the power and were it to choose to use it, the likely rate of TVL would be £1 per night bringing in £11m per annum less costs. It also indicated there would be strong pressure to spend any funding raised on tourism/events marketing.

### Question

In these circumstances can the Council Leader indicate how he would prioritise the spending allocation of his hypothetical £11m per annum?

### Answer

## Item no 5.6

### QUESTION NO 6

**By Councillor McLellan for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

**Question** (1) In the light of severe traffic disruption caused in East Edinburgh this month by the repeated over-run of gas mains repairs at the major Duddingston Road West-Milton Road junction, what contact has she had with Scotland Gas Networks (SGN) about their programme?

**Answer** (1)

**Question** (2) In view of the resultant disruption to Council road resurfacing projects and considerable inconvenience to road users, will she be reporting this matter to the Scottish Road Works Commissioner?

**Answer** (2)

## Item no 5.7

### QUESTION NO 7

**By Councillor McLellan for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

#### **Question**

How much it will cost to replace the minibuses which are currently used on Lothian Buses' 69 service through Willowbrae and the Lady Nairne estate?

#### **Answer**

#### **Question**

What subsidy has Lothian Buses asked the Council to provide to maintain this service?

#### **Answer**

#### **Question**

How much the temporary replacement service to be provided by Prentice Coaches will cost per year?

#### **Answer**

## Item no 5.8

### QUESTION NO 8

**By Councillor McLellan for answer by the Leader of the Council at a meeting of the Council on 25 October 2018**

**Question** (1) If the First Minister has agreed to his request of October 4 that the Scottish Government's national consultation with the Scottish tourism industry on the Transient Visitor Levy will be completed by the end of December?

**Answer** (1)

**Question** (2) If not, what indication of a timescale for the completion of the national consultation has he received?

**Answer** (2)

## Item no 5.9

### QUESTION NO 9

**By Councillor Cook for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 25 October 2018**

- Question** (1) Can the Convener confirm if the target completion date is March 2019 or March 2020, by property, for all overdue maintenance work included as part of the Tranche 1 programme, as listed in the attached Table?
- Answer** (2)
- Question** (2) If the target completion date is no longer March 2019 or March 2020 for the Tranche 1 works, can the convener provide the amended target completion date, as well as the original target completion date?
- Answer** (2)
- Question** (3) Add any other works commissioned since February 2018 as part of the essential overdue maintenance catch up programme, including the new Tranche number / property reference, property name, description of overdue maintenance works, commission budget and target completion date?
- Answer** (3)
- Question** (4) For each property, can the Convener provide an estimate of how much of the work identified has now been completed?
- Answer** (4)
- Question** (5) Would the Convener agree that this is a helpful format for reporting progress on overdue School's Maintenance as agreed by Council, and therefore agree to provide this information to all Members in May and September each year, until all works in Tranche 1 and subsequent tranches have been completed?
- Answer** (5)

**Table 1: Capital Works Programme Commissions issued at 20 February 2018**

	<b>Property</b>	<b>Proposed work</b>	<b>Budget ('000)</b>	<b>Target End Date</b>	<b>% Work Done</b>
<b>1</b>	<b>Tranche 1</b>	<b>35 Buildings in Tranche 1 Capital works overdue maintenance programme</b>	<b>£20,488</b>		
1.1	Balgreen PS/Nursery	Commission for refurbishment of the school including roofing, window renewal, mechanical & electrical installation improvements, fire alarm and intruder alarm upgrade, internal and external fabric improvements, decoration and replacement floorcoverings.	£1,470		
1.2	Bonnington Centre	Commission for fire Alarm upgrade	£35		
1.3	Broughton PS	Commission for mechanical and electrical upgrade including fire alarm, windows upgrade /repair rooflight and external fabric enhancement. Upgrade drainage to pool.	£836		
1.4	Brunstane PS & Nursery	Commission for external fabric enhancement, including concrete sills and lintels.	£70		
1.5	Buckstone PS	Commission for the water supply separation from the school	£60		
1.6	Clermiston PS	Commission for refurbishment of the school including roofing, internal and external fabric improvements, decoration and replacement floorcoverings, heating and boiler upgrade, repair tarmac, railings and handrails.	£1,315		
1.7	Clovestone Gdns HOP	Commission for boiler and heating upgrade	£115		
1.8	Corstorphine PS	Commission for upgrade radiators, heaters and fans to gym hall.	£90		
1.9	Craiglockhart PS	Commission for refurbishment of the school including window upgrade, mechanical and electrical improvements, heating den boiler upgrade, internal & external fabric improvements, decoration and replacement floor coverings. Repair tarmac.	£626		
1.10	Davidsons Mains PS	Commission to replace rooflights	£17		
1.11	Duddingston PS	Commission for refurbishment of the school including window upgrade, mechanical and electrical improvements, heating and boiler upgrade, internal & external fabric improvements, decoration and	£900		



		replacement floor coverings. Repair tarmac.			
1.12	East Craigs PS	Commission for refurbishment of the school including roofing, internal and external fabric improvements, replacement / upgrade of pipework, decoration and replacement floorcoverings.	£601		
1.13	Echline PS	Commission for refurbishment of the school including roofing, external fabric enhancement, pipework upgrade, boiler and heating upgrade, mechanical & electrical improvements.	£655		
1.14	Ferrylee HOP	Commission for boiler and heating upgrade	£130		
1.15	Fox Covert PS/ St Andrew's Fox Covert PS	Commission for refurbishment of the school including roofing, windows and doors upgrade, decoration and replacement of floorcoverings, electrical installation improvements, renew bounding fencing and replacement of gates.	£1,000		
1.16	Gracemount PS	Commission for refurbishment of the school including roofing, window and doors renewal, toilet replacement, mechanical and electrical installation improvements, sanitary improvements, internal & external fabric improvements, decoration and replacement floorcoverings.	£710		
1.17	James Gillespies PS	Commission for refurbishment of the school including roofing, window renewal, toilet replacement, mechanical and electrical installation improvements, sanitary improvements, internal and external fabric improvements, decoration and replacement floorcoverings.	£685		
1.18	Jewel House HOP	Commission for boiler and heating upgrade	£131		
1.19	Leith PS & Nursery	Commission for boiler upgrade and staff toilet improvements	£191		
1.20	Lorne PS	Commission for refurbishment of the school including roofing, window and doors renewal, mechanical and electrical installation improvements, internal and external fabric improvements, decoration and replacement floorcoverings.	£451		
1.21	Murrayburn PS	Commission for boiler and heating upgrade, windows and external doors upgrade, mechanical and electrical installation works, internal and external fabric improvements and	£1,385		

		tarmac repair in playground.			
1.22	Queensferry PS/Early Years Centre	Commission for refurbishment of the school including roofing, ceilings renewal, windows and doors upgrade, mechanical and electrical installation upgrade, Internal & external fabric improvements, decoration and replacement floorcoverings.	£1,300		
1.23	Ratho PS	Commission for playground upgrades, sanitary facilities renewal, small power and lighting upgrade works including decoration and replacement of floorcoverings.	£405		
1.24	Sciennes PS	Commission for refurbishment of the school including roofing, windows and doors upgrade, sanitary improvements, fire alarm upgrade, decoration and replacement of floorcoverings, electrical installation improvements and heating system upgrade.	£676		
1.25	Seafield Laboratory	commission to upgrade fire alarm system	£20		
1.26	St Catherine's	Commission for refurbishment of the school including roofing, heating and pipework upgrade and decoration and floorcovering replacement.	£478		
1.27	St Marys (Leith)	Commission for refurbishment of the school including roofing, windows and doors upgrade, toilet replacement, pipework replacement, mechanical and electrical installation improvements, internal and external fabric improvements, decoration and floorcoverings replacement.	£1,321		
1.28	St Ninians PS	Commission to upgrade asphalt roof, upgrade boiler and heating system, mechanical & electrical installation improvements, decoration and replacement floorcoverings.	£1,000		
1.29	Stockbridge Library	Commission to upgrade heating and boiler.	£40		
1.30	St Thomas of Aquins	Commission to upgrade lighting installation	£210		
1.31	Trinity PS	Commission for refurbishment of the school including roofing replacement, window renewal, boiler and heating upgrade, toilet replacement, mechanical and electrical improvements, internal and external fabric improvements, decoration and replacement floorcoverings.	£1,800		
1.32	Usher Hall	commission for Boiler and heating upgrade	£820		

1.33	Viewforth Children's Centre	Commission for mechanical and electrical upgrade of distribution boards.	£45		
1.34	Wardie PS	Commission for installation of fire alarm system, upgrade roofing, windows renewal, internal & external fabric improvements, decoration and replace floor coverings.	£865		
1.35	Waverley Court	Commission to re-balance heating and upgrade staff sanitary facilities.	£35		

## Item no 5.10

### QUESTION NO 10

**By Councillor Hutchison for answer  
by the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 25 October 2018**

As we approach the 6th birthday of the inception of new plans to replace the Salvesen Steps following the failure of previous plans due to inter-departmental difficulties.

Can the Convener please advise;

**Question** (1) Whether she believes that this lengthy and ongoing delay is acceptable?

**Answer** (1)

**Question** (2) What the reasons are for the ongoing delay?

**Answer** (2)

**Question** (3) Why stakeholders were told at a meeting in August 2017 that concerns regarding flood levels had been resolved only to then be told in June 2018 that this was in fact not the case?

**Answer** (3)

**Question** (4) What the current timeline is for the advancement of this project?

**Answer** (4)

**Question** (5) What she has done personally to advance the commencement of works on this vital link in the River Almond walkway?

**Answer** (5)

## **Item no 5.11**

### **QUESTION NO 11**

**By Councillor Mowat for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

#### **Question**

Given the introduction of new bin collection days on October 8th could the Convener of Transport and Environment Committee provide details of missed bin collections for each of the weeks since introduction; by collection stream and the number of missed bin collections reported for each type of waste stream and complaints received?

#### **Answer**

## Item no 5.12

### QUESTION NO 12

**By Councillor Hutchison for answer  
by the Convener of the Transport and  
Environment Committee at a meeting  
of the Council on 25 October 2018**

The Hawes Pier at Queensferry is used for the landing of tenders from cruise liners visiting Edinburgh and as such the infrastructure there is critical to the city's growing cruise liner business and the revenue this brings.

Can the Convener please confirm;

- |                 |  |
|-----------------|--|
| <b>Question</b> | <b>(1)</b> When the channel and harbour around the Pier were last dredged?   |
| <b>Answer</b>   | <b>(1)</b>   |
| <b>Question</b> | <b>(2)</b> When dredging is next due to be carried out?  |
| <b>Answer</b>   | <b>(2)</b>   |
| <b>Question</b> | <b>(3)</b> If she is aware that Pier users believe that the channel to the Pier could become unnavigable within 2 years if dredging is not carried out?                  |
| <b>Answer</b>   | <b>(3)</b>   |
| <b>Question</b> | <b>(4)</b> If she is aware that the consequences of (3). above would be a loss of all cruise liner business and its associated revenue to the City of Edinburgh Council? |
| <b>Answer</b>   | <b>(4)</b>   |

## Item no 5.14

### QUESTION NO 14

**By Councillor Rust for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

**Question** (1) How many agency staff are being employed by the Council between 4pm and midnight in respect of waste collection?

**Answer** (1)

**Question** (2) For how long is this arrangement anticipated to last?

**Answer** (2)

**Question** (3) What is the cost to the Council?

**Answer** (3)

## Item no 5.15

### QUESTION NO 15

**By Councillor Bridgman for answer  
by the Convener of the Education,  
Children and Families Committee at a  
meeting of the Council on 25 October  
2018**

**Question** (1) Can the Convener please provide details of why the Management Committee of the Community Wing at Craigmount High School have now been told that they cannot have a lease for their accommodation, when they had previously been told that they must take on a lease and they have been putting some effort into getting themselves in a position to be able to do so?

**Answer** (1)

**Question** (2) The Community Wing at Craigmount is quite unusual in the respect that the accommodation they are in is part of the school building, rather than a separate unit on the school grounds. With this in mind, can the Convener categorically state that his department's current activity regarding the Community Wing will not result in the Community Wing ceasing to exist, their valuable work stopped and the space that they use handed over to the high school for use as classrooms etc?

**Answer** (2)



## Item no 5.16

### QUESTION NO 16

**By Councillor Jim Campbell for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

#### **Question**

Given than many households may still have the old red recycling boxes, can the Convener confirm that householders are now welcome to use red or blue boxes for glass recycling?

#### **Answer**

## Item no 5.17

### QUESTION NO 17

By Councillor Booth for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 25 October 2018

**Question** (1) What is the education spend per pupil at James Gillespie's High School (JGHS)?

**Answer** (1)

**Question** (2) What is the number and proportion of students at JGHS who are Gaelic Medium Education (GME) students?

**Answer** (2)

**Question** (3) What is the number and proportion of teachers at JGHS who teach in GME?

**Answer** (3)

**Question** (4) What proportion of their lessons do each of the GME teachers at JGHS teach in a) Gaelic, and b) English?

**Answer** (4)

## Item no 5.18

### QUESTION NO 18

**By Councillor Booth for answer by the Vice-Convener of the Education, Children and Families Committee at a meeting of the Council on 25 October 2018**

#### **Question**

What funding has the council received from the Scottish Government in each of the last three years for the promotion of Gaelic, and what has it been spent on?

#### **Answer**

## Item no 5.19

### QUESTION NO 19

**By Councillor Booth for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 25 October 2018**

**Question** (1) Please list by month the number of requests received since 1 November 2017 to clear leaves from footpaths and cycle paths and in each month listing the requests received by phone; email; web; twitter; in person, and by letter.

**Answer** (1)

**Question** (2) Please list the dates since 1 November 2017 when large mechanical sweepers have swept the off-road cycle paths, including but not limited to the Roseburn, Warriston, Water of Leith and Ferry Road paths.

**Answer** (2)

**Question** (3) Please provide the URL on the council's website where concerns with

a) footpaths

b) off-road cyclepaths

can be reported

**Answer** (3)

**Question** (4) What action has been taken since 1 November 2017 to implement a proactive approach to the sweeping of leaves from footpaths and cyclepaths?

**Answer** (4)



## ***Another step towards a TVL***

I'm delighted with the progress we're making in developing our plans for a Transient Visitor Levy (TVL) for Edinburgh. We are now [seeking views from all city stakeholders](#) but, in particular, the hospitality and tourism sector, plus city businesses and investors, culture partners, visitors and residents, concerning the best possible arrangements for introducing a levy.

Our draft proposal – laid out last month – suggested a charge of either 2% or £2 per room per night, chargeable all year round on all forms of accommodation, including short-term lets, but capped at seven nights. We're asking respondents for their views on the details of the scheme but also, importantly, what any income raised should be spent on.

We have always acknowledged the need for legislation in taking this forward but we as a Council have also maintained the need to develop our own plans to make sure it's not just any TVL but the right TVL for Edinburgh, taking account of our local circumstances.

Our plans have been developed through engagement with industry – absolutely the right approach. So, I welcome the Scottish Government's recent announcement of a national conversation with key stakeholders, helping to shape the wider context for any potential TVL. We are very much listening to everyone involved around what they believe is a fair, simple and workable policy.

## ***Preparing for Bonfire Night***

I'm sure you were as appalled as I was by the violence and antisocial behavior that marred last year's Bonfire Night celebrations. To ensure we don't see a repeat of those disgraceful scenes – which put lives at risk, including those of the emergency services – we have created a dedicated Bonfire Community Improvement Partnership.

Representatives from the Police, Fire Service and Trading Standards, plus Environmental Wardens, Transport and Community Justice teams, are all involved, united in their commitment to preventing the actions of the minority causing havoc and intimidation across our communities.

Plans include exploring ways of engaging young people in the lead up to 5 November, raising awareness of the hazards of irresponsible use of fireworks and bonfires, and, over the weekend itself, committing additional staff and resources to support partners. This will include community patrols and responding to reports of illegal bonfires.

We will also promote how best to take part in the festivities legally and, most importantly, safely – and you can help. Fly-tipping can be a major cause of fire so, if you see fly-tipping or notice an area where there is a build-up of refuse, please [email our waste team](#) and they will clear it up.

## ***Change for the better***

We are nearing the end of the first month of public engagement on developing a four-year strategy to meet the changing demands of our city and its services – my thanks to everyone who has taken the time to submit their views so far. There is still plenty of time to get involved and tell us what your priorities are.

This year, we are taking a longer-term approach towards budget planning and service provision – and hearing your thoughts on how we can continue to prioritise our investment in key services whilst delivering necessary savings.

We have saved over £240 million since 2012, but are facing a projected funding gap of around £28 million for 2019/20 and a £106 million shortfall by 2022/23. Meeting these challenges will require tough choices, which is why we need to embrace a forward-thinking and ambitious change strategy.

Please complete our [online survey](#) or try your hand at [balancing our budgets](#) by 7 December. Your feedback will be used to develop this long-term plan and influence how the 2019/20 budget is set in February.

## ***Your city needs you***

The search is now on for one of the [most exciting and unusual jobs going in Scotland](#). As part of the 2050 Edinburgh City Vision campaign, three inquisitive candidates will be recruited as official 'futurists' for the city and sent to Dublin, Copenhagen or Helsinki to research how these pioneering cities plan for their futures.

Applications are now open to residents aged 18 and over to submit a successful video entry on why they deserve to land the dream role. It is the latest move in our citywide campaign to develop an all-encompassing and inspiring City Vision for Edinburgh 2050. If you've already shared your vision, thank you. If not, please help us [shape the Edinburgh of the future](#).

## ***Closing the poverty gap***

Our Vision as an administration is that all Edinburgh residents should have the opportunity to share in our city's undoubted success; they should have enough money to live on, a good place to live and access to education, training and work. Clearly there is still much work to be done for this to become a reality.

As many as 82,000 people in Edinburgh live below the poverty line. The gap in life expectancy between different parts of the city can be as much as 24 years. And 54% of all people in poverty are living in a household where at least one adult is in work. None of this is remotely acceptable.

One way we are seeking to address this is through setting up Edinburgh's new Poverty Commission and we recently appointed national expert and associate director of the Joseph Rowntree Foundation, [Doctor Jim McCormick](#), as its Chair – with Deputy Leader, Cammy Day, as vice.

The Commission will listen carefully to the unique and lived experiences of our residents as it works with key partners to tackle the issues in a supportive and effective way. If we are going to make a difference, we need everyone in the city to work together around our common goal.

## ***Homes for the future***

Very much with the above in mind, I'm pleased with the progress we're making against our commitment to deliver 20,000 new affordable homes with our housing association partners in the next 10 years.

A [major new development in Craigmillar](#) will see 194 new homes for affordable and market rent completed by 2020. Residents will have access to amenity areas and a large public green space will be at its heart. It's great to see progress being made on the regeneration of the area with quality affordable housing and plenty of outdoor space.

Meanwhile, we're in the process of handing over the keys to tenants for their new homes in Clermiston and Wester Hailes in the west of the city and West Pilton Grove in the north. This is particularly welcome given all of these homes are for social rent.

More widely, we currently have 800 affordable homes under construction across the city and nearly 3,000 more in design development. Close to 1,000 affordable homes were completed in 2017/18 with another 1,000 expected to be finished in the next six months.

## ***Meadowbank clears another hurdle***

We've recently hit another milestone in our project to redevelop Meadowbank, with this month's pledge of £5m from SportScotland and the [appointment of a contractor](#) to deliver the city's new £45m sports centre.

Once up and running, the revamped centre promises to offer some of the best sporting facilities in the country. And with a track record working with the Council on a range of projects – most recently St John's RC Primary in Portobello where feedback has been very positive throughout – Graham Construction is well placed to take forward our designs.

Meadowbank is fast becoming one of the most important redevelopments taking place in the city; an investment in the health and wellbeing of our residents, now and for generations to come.

As a Council, we have a duty to plan for the current and future needs of our local communities, and the wider site offers a valuable opportunity to consider additional development on the site which caters for local aspirations. You can [share your views online](#) on the options for mixed-use development until the end of this month.

## ***Brown bin boost***

We've seen some big changes to bin collections across the city over recent weeks, and I want to thank residents for their patience as we have moved to introduce four-day bin collection rotas alongside our new garden waste service.

Householders have now registered a total of 70,747 brown bins for the new, improved service following the second registration window, demonstrating the appetite for recycling amongst residents – we collected around 340 tonnes of garden waste in the first week of the service alone!

Importantly, the high volume of sign-ups, which has surpassed our targets, will also help us to save over £1.4m towards other, essential services – the ones that you have told us matter most to you.

For anyone who didn't sign up this time, there will be further opportunities – look out for our next registration window in February.

## ***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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# The City of Edinburgh Council

10.00am, Thursday 25 October 2018

## Education, Children and Families Committee Appointment of Religious Representative

Item number	7.1
Report number	
Executive/routine	
Wards	None

### Executive summary

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In terms of Section 124 of the Local Government (Scotland) Act 1973 (as amended), the Church of Scotland and the Roman Catholic Church may each nominate one representative to any committee whose purposes include advising the authority on any matter relating to the discharge of its functions as education authority and discharging any of those functions of the authority on its behalf.

Following Marie Allan's resignation as the Roman Catholic Church representative on the Education, Children and Families Committee, the Council is required to formally appoint the replacement Roman Catholic Church representative, Monsignor Anthony Duffy.

## Education, Children and Families Committee Appointment of Religious Representative

### 1. Recommendations

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- 1.1 To note the resignation of Marie Allan as the Roman Catholic Church representative on the Education, Children and Families Committee and to record appreciation for her commitment to the work of the Committee during her tenure.
- 1.2 To note the nomination by the Roman Catholic Church of Monsignor Anthony Duffy and to formally appoint him to the Education, Children and Families Committee.

### 2. Main report

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- 2.1 In terms of Section 124 of the Local Government (Scotland) Act 1973 (as amended), the Church of Scotland and the Roman Catholic Church may each nominate one representative to any committee whose purposes include advising the authority on any matter relating to the discharge of its functions as education authority and discharging any of those functions of the authority on its behalf.
- 2.2 Following the resignation of Marie Allan, the Archdiocese of St Andrews and Edinburgh has advised that with effect from 8 October 2018 the Roman Catholic Church representative will be Monsignor Anthony Duffy.
- 2.3 Monsignor Duffy's appointment will be subject to his agreement to meet the terms of the Councillors' Code of Conduct and, in terms of the Protection of Children (Scotland) Act 2003, to a satisfactory Protected Vulnerable Group disclosure check.

### 3. Measures of success

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- 3.1 The Council's political management arrangements are robust, and encourage effective decision-making.

### 4. Financial impact

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- 4.1 Not applicable.

### 5. Risk, policy, compliance and governance impact

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- 5.1 The appointment of a replacement Roman Catholic Church representative will ensure all statutory appointments to the committee are complete.



## **6. Equalities impact**

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6.1 Not applicable.

## **7. Sustainability impact**

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7.1 Not applicable.

## **8. Consultation and engagement**

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8.1 Not applicable.

## **9. Background reading / external references**

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9.1 [Minute of Council of 24 August 2017](#)

### **Andrew Kerr**

Chief Executive

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# The City of Edinburgh Council

10.00am, Thursday 25 October 2018

## Chief Officer roles

Item number	8.1
Report number	
Executive/routine	
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### Executive Summary

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Council is requested to approve the following recommendations from the Chief Executive in his statutory capacity as the Head of Paid Service:

- The holding of the vacant post of Head of Communications in the Chief Officer structure of the Chief Executive's Service;
- The appointment on an interim basis, of the Head of Strategy and Insight to the re-designated role of Head of Strategy and Communications, with immediate effect.
- The deletion of the vacant post of Head of Information and Communications Technology from the Chief Officer structure of the Resources Directorate.
- The appointment, on a permanent basis, of the Head of Customer to the re-designated role of Head of Customer and Digital Services, with immediate effect.

To note that, subject to these recommendations being approved, the Council has reduced the number of Chief Officials it employs by 2 posts permanently during 2018 and is holding a further post vacant at this level.

## Chief Officer roles

### 1. Recommendations

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- 1.1 Council is requested to approve the following recommendations from the Chief Executive in his statutory capacity as the Head of Paid Service:
- The holding of the vacant post of Head of Communications in the Chief Officer structure of the Chief Executive's Service;
  - The appointment on an interim basis, of the Head of Strategy and Insight to a re-designated role of Head of Strategy and Communications, with immediate effect.
  - The deletion of the vacant post of Head of Information and Communications Technology from the structure of the Resources Directorate.
  - The appointment, on a permanent basis, the Head of Customer to the re-designated role of Head of Customer and Digital Services, with immediate effect.
- 1.2 To note that, subject to these recommendations being approved, the Council has reduced the number of Chief Officials it employs by 2 posts permanently during 2018 and is holding a further post vacant at this level.

### 2. Background

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- 2.1 At its meeting on 10 December 2015, Council approved a Chief Officer/Chief Official executive management structure comprising, at Tier 1, a Chief Executive, Executive Director of Resources, Executive Director of Communities and Families, Executive Director of Place and Chief Officer of the Health and Social Care Partnership. The Tier 2 management structure contains a number of Head of Service roles reporting into the Tier 1 posts.
- 2.2 Following the Tier 2 Head of Communications post becoming vacant and the interim trialling of a merger of the Head of Customer and vacant Head of Information and Communications Technology roles, this paper proposes to formally delete one of the currently vacant Chief Officer posts permanently and adjust responsibilities for the remaining roles on an interim basis to enable further review.

### **3. Main report**

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#### Chief Executive's Service

- 3.1 The Chief Executive's Service currently includes two direct reporting Heads of Service at Tier 2: the Head of Strategy and Insight and Head of Communications.
- 3.2 Following the resignation of the Head of Communications, this post is now proposed to be held vacant in the Chief Officer structure and the responsibilities for the strategic leadership of the Communications team be transferred to the Head of Strategy and Insight on an interim basis, to enable a further review. The functions of policy, insight, partnerships, governance, democracy, and resilience are often aligned with communications functions in many other local authorities and the opportunity to align these activities under a single Head of Service is deemed appropriate and may lead to further economies of scale being achieved in the future.
- 3.2 Subject to approval, this proposal will reduce the Chief Executive's Service temporarily from Tier 2 direct reports to one post, which would be the re-designated interim role of Head of Strategy and Communications.

#### Resources Directorate

- 3.3 The Directorate currently includes 6 Heads of Service posts at Tier 2: Finance, Human Resources, Legal and Risk, Property and Facilities Management, Customer and Information and Communications Technology (ICT). The Head of ICT role has been held vacant to trial an interim arrangement combining the remit with the Head of Customer role.
- 3.4 The Executive Director of Resources has now reviewed the outcomes from trialling the interim arrangement. These arrangements have been successful during the trial and have brought benefits through greater alignment and integration of the customer transformation and ICT transformation programmes under the leadership of a single Head of Service, along with the necessary stabilisation and improvement of both our relationship and delivery by the Council's strategic ICT partner, CGI. It is therefore proposed to permanently delete the vacant post of Head of ICT and to formally transfer strategic leadership of the ICT functions to the re-designated role of Head of Customer and Digital Services.
- 3.6 This proposal, if approved, would have the net impact of permanently reducing the number of Heads of Service (Tier 2 roles) within the Resources Directorate to 5.

### **4. Measures of success**

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- 4.1 The Council is supported by a well organised, efficient, and effective Chief Officer structure in which statutory roles and responsibilities are correctly discharged.

## **5. Financial impact**

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- 5.1 There are no financial implications arising from this report. Whilst there will be some potential revenue savings generated from the deletion of a vacant Chief Officer role, a degree of the associated funding will be utilised to make changes to the officer structures at an operational level, in accordance with the scheme of delegation.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 The proposed changes to the Chief Officer structure of the Council are wholly compliant with relevant legislative provisions and good practice.

## **7. Equalities impact**

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- 7.1 There are no equality, diversity of rights impacts arising from these proposed changes,

## **8. Sustainability impact**

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- 8.1 There are no sustainability impacts arising from these proposed changes.

## **9. Consultation and engagement**

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- 9.1 Consultation and engagement on the contents of this report has taken place the Executive Directors and the relevant Heads of Service.

## **10. Background reading/external references**

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- 10.1 None.

### **Andrew Kerr**

Chief Executive

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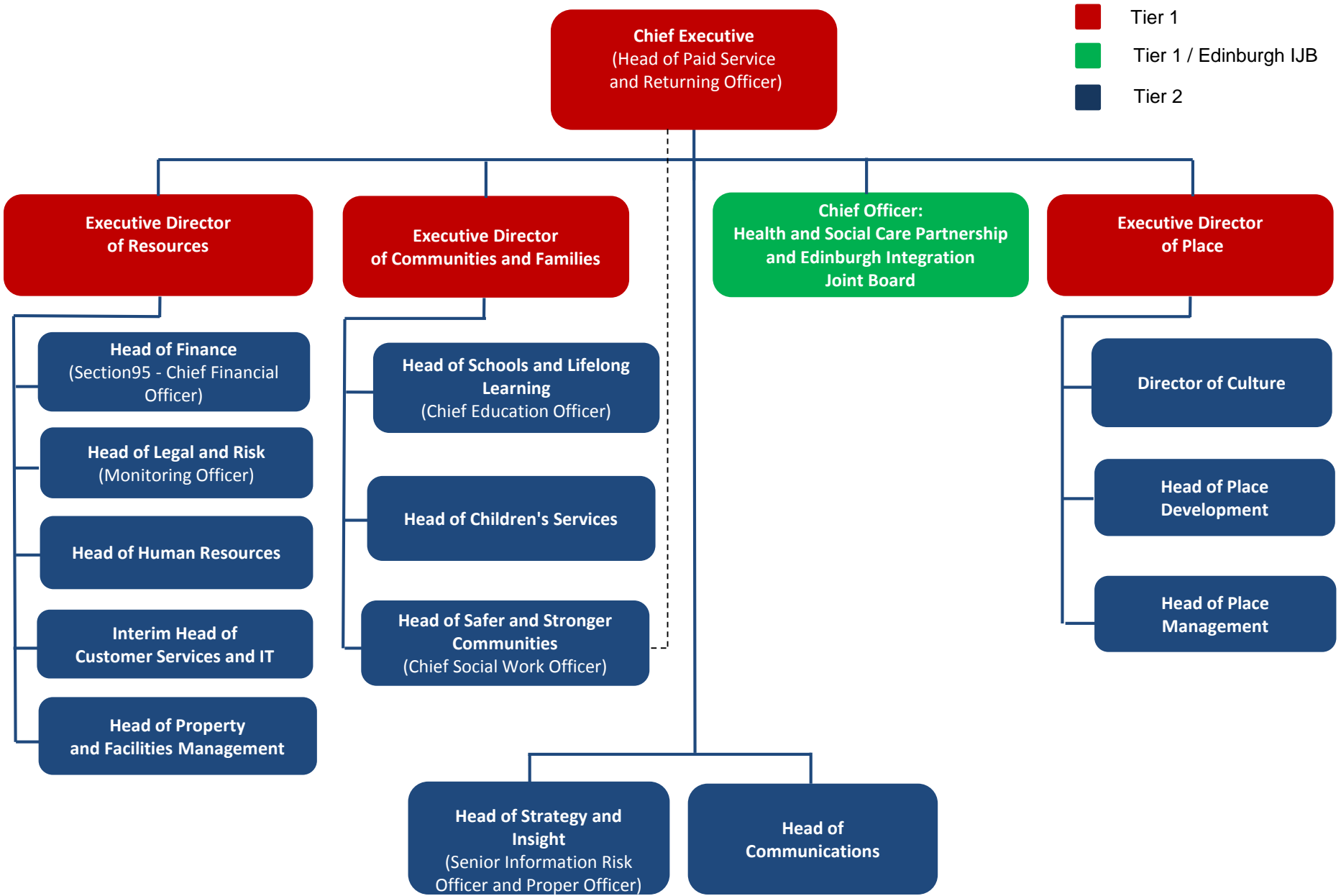
## **11. Appendices**

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- 11.1 Appendix 1 – Current Chief Officer Structure
- 11.2 Appendix 2 – Proposed Chief Officer Structure

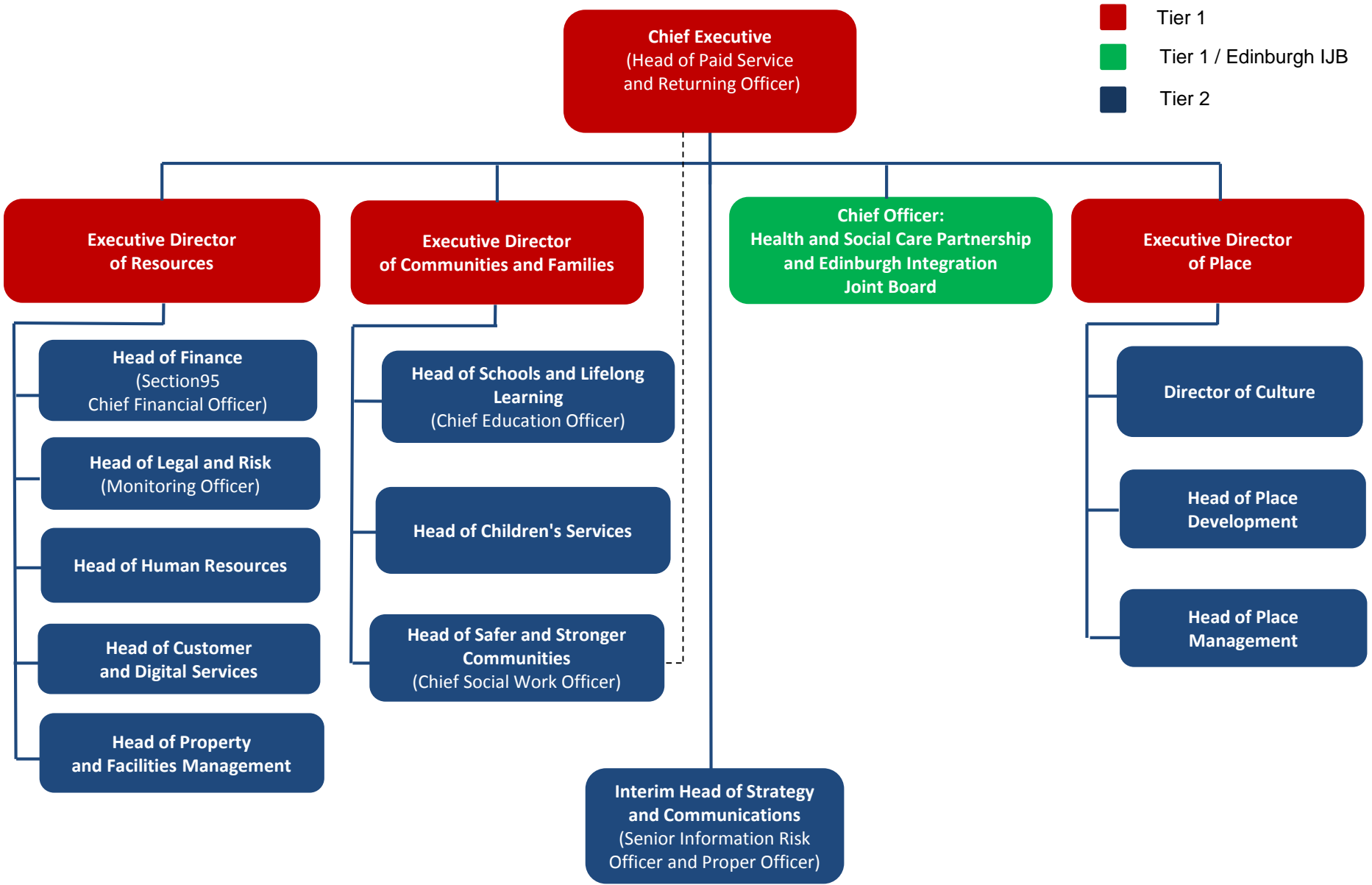
# Appendix 1

## Current Chief Officer Management Structure



# Appendix 2

## Proposed Chief Officer Management Structure





10.00am, Thursday, 25 October 2018

## Planning Statutory Scheme of Delegation

Item number	8.2
Report number	
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### Executive Summary

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The statutory scheme of delegation on planning applications allows officers to make decisions on local developments. Changes were agreed by the Council on [23 August 2018](#) to allow more delegated powers in respect of householder development and representations in support of local developments. Other changes mean that objections from statutory consultees, such as community councils, would require a Planning Committee decision if the application is recommended for approval.

The proposed changes were sent to Scottish Ministers on 11 September 2018 and approved by them on 4 October 2018. They are now presented to full Council for formal adoption.

## Planning Statutory Scheme of Delegation

### 1. Recommendations

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- 1.1 That the Council agrees to adopt the amended Statutory Scheme of Delegation with immediate effect; and
- 1.2 That the Council agrees to make the scheme available for inspection in accordance with the regulations and forward the link to the published version to Scottish Ministers.

### 2. Background

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- 2.1 In the main, delegated powers in respect of planning fall within the Council's overall scheme of delegation to officers set out in terms of the Local Government (Scotland) Act 1973. However, the Planning etc (Scotland) Act 2006 requires planning authorities to draw up a statutory scheme of delegation in respect of local developments. In planning terms, developments now fall within three categories – national developments, major developments and local developments. The statutory scheme in its current form was adopted by the Council, after the required referral to Scottish Ministers, on [22 August 2013](#).
- 2.2 At its meeting on 23 August 2018, the Council agreed to changes which allow officers to determine applications for approval with up to 20 objections on householder development and applications for refusal with up to 20 support comments on local development. Other changes included ensuring applications are determined by Planning Committee where there are unresolved objections from statutory consultees.
- 2.3 The amendments in respect of the Chief Planning Officer's delegated functions in respect of the Local Government (Scotland) Act 1973 were approved by full Council on [27 June 2018](#).

### 3. Main report

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- 3.1 Currently around 95% of planning applications are determined by officers, meaning that the Development Management Subcommittee can concentrate on the more complex and/or contentious cases. Increased delegation is one way of improving efficiency and performance and so improving customer satisfaction.

- 3.2 The changes agreed by Scottish Ministers are as follows :
- 3.2.1 The Chief Planning Officer shall have delegated powers to determine householder development planning applications, where not more than 20 representations or a petition have been received, provided other parts of the scheme of delegation do not apply;
  - 3.2.2 The Chief Planning Officer shall have delegated powers to determine local applications for refusal, where not more than 20 representations in support have been received, subject to certain provisos, including the issues raised;
  - 3.2.3 The Chief Planning Officer shall have delegated powers to determine planning applications, other than householder development, where a petition has been submitted properly headed with material planning considerations and 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;
  - 3.2.4 The Chief Planning Officer's delegated powers will not apply if there are outstanding unresolved objections from statutory consultees, including community councils, in relation to applications recommended for approval. Where the community council supports an application and it is recommended for refusal, delegated powers shall not apply;
  - 3.2.5 Full delegated powers shall be given to the Chief Planning Officer to determine whether a change to a granted planning application is material or not; and
  - 3.2.6 The term non-statutory Council adopted policy shall be removed from the Scheme of Delegation.
- 3.3 The statutory scheme of delegation agreed by Scottish Ministers is set out in Appendix 1.

#### **4. Measures of success**

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- 4.1 A Planning service which makes service improvements to allow best value to be realised and a more efficient planning system created.

#### **5. Financial impact**

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- 5.1 There are no financial impacts arising from this report. There are no significant cost saving envisaged from these changes.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 There are no perceived risks associated with this report.

## 7. Equalities impact

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- 7.1 The Equalities and Rights Impact Assessment indicates the following:
- There are no infringements of Rights under these proposals;
  - There are no identified positive or negative impacts on the duty to eliminate unlawful discrimination, harassment or victimisation;
  - The proposals have been designed to ensure there is no impact on participation in public life; and
  - The proposals promote the duty to foster good relations as they make clear the service standards that can be expected and so promote understanding.

## 8. Sustainability impact

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- 8.1 The impact of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties has been considered, and the outcome is summarised below:
- The proposals in this report do not affect carbon emissions;
  - The need to build resilience to climate change impacts is not relevant to the proposals in this report because it is concerned with procedural matters;
  - The proposals in this report will help achieve a sustainable Edinburgh by improving the efficiency of council processes; and
  - Environmental good stewardship is not considered to impact on the proposals in this report because there is no relevance to the use of natural resources.

## 9. Consultation and engagement

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- 9.1 Changes to the scheme of delegation are for members to consider. No consultation or engagement has taken place on the proposed changes.

## 10. Background reading/external references

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- 10.1 [Planning and Building Standards Service Improvements](#) – report to Planning Committee 14 March 2018
- 10.2 [Statutory Scheme of Delegation](#) – report to full Council 23 August 2018
- 10.3 [The Town and Country Planning \(Schemes of Delegation and Local Review Procedure\) \(Scotland\) Regulations 2013](#)

### Paul Lawrence

Executive Director of Place

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**11. Appendices**

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Appendix 1 – Statutory Scheme of Delegation to be adopted

## **APPENDIX 1**

### **THE CITY OF EDINBURGH COUNCIL**

#### **LOCAL DEVELOPMENTS**

#### **SCHEME OF DELEGATION**

##### **Status**

- 1 The Council, as planning authority, has made this Scheme of Delegation for the purposes of section 43A of the Town and Country Planning (Scotland) Act 1997 (the Act) and Part 2 of the Town and Country Planning (Schemes of Delegation and Local Review Procedure) (Scotland) Regulations 2013 (the Regulations). It provides for the determination of local developments by the Chief Planning Officer subject to certain exceptions.
- 2 The Council has delegated other planning functions to the Executive Director of PLACE and the Chief Planning Officer under section 56 of the Local Government (Scotland) Act 1973. These are listed in the Council's Scheme of Delegation to Officers published on the Council's website.

##### **Appointed Officer**

- 3 For the purposes of section 43A (1) of the Act, the Council authorises the Chief Planning Officer to appoint suitable officers to determine applications for local developments in accordance with this Scheme.

##### **Delegated Powers**

- 4 Subject to the qualifications and exceptions listed below, the Council delegates authority to the appointed officer to determine
  - applications for planning permission<sup>1</sup>
  - applications for consent, agreement or approval required by a condition imposed on a grant of planning permissionin respect of local developments, as defined by Sections 3A(4)(b) and 26A of the Town and Country Planning (Scotland) Act 1997 and the Town and Country Planning (Hierarchy of Developments) (Scotland) Regulations 2009.

##### **Qualifications and Exceptions**

- 5 In exercising authority under this Scheme, the appointed officer should be satisfied that: -
  - the decision is in accordance with the statutory Development Plan (Strategic Development Plan and Local Development Plan)
  - the decision does not remove or amend conditions originally added by Committee;

<sup>1</sup> The meaning of "application" shall be taken to include applications for planning permission; planning permission in principle; applications for consent, agreement or approval required by condition imposed on a grant of consent for local developments.

- 6 An appointed officer shall not determine an application which has been submitted:
- by, or on behalf of, an elected member of the Council or by the partner, close friend or relative of an elected member of the Council;
  - by, or on behalf of, an officer involved in the statutory planning process or by a partner, close friend or relative of such officer.
- 7 An appointed officer shall not determine an application:
- which an elected member has requested, within 21 days from the date of neighbour notification, the date of the advertisement or the validation date whichever is the later, be referred to the Development Management Sub-Committee for material planning reasons; or
  - which has outstanding unresolved objections from statutory consultees and the application is recommended for approval;
  - which has support comments from the local community council as a statutory consultee and is recommended for refusal.
  - which the Chief Planning Officer considers to be controversial, or of significant public interest, or has a significant impact on the environment.
- 8 An appointed officer shall not approve an application if more than six material objections have been received from third parties except if the application is for householder development.
- 9 An appointed officer shall not approve an application for householder development if more than 20 material objections have been received from third parties.
- 10 An appointed officer can determine an application for householder development if a petition is submitted;
- 11 An appointed officer shall not refuse an application if more than 20 material representations in support of the proposals have been received from third parties.
- 12 An appointed officer shall not determine an application where a petition has been submitted properly headed with material planning considerations and it has more than 20 signatures of objection in relation to recommendations for approval and more than 20 signatures of support in relation to recommendations for refusal.
- 13 An appointed officer can determine whether changes to an approved local development are material or not;
- 14 Applications which are exempt from this Scheme by virtue of paragraphs 6 - 13 above shall be determined by the Development Management Sub-Committee.

#### **Effective Date**

- 15 This Scheme was adopted by Council on 25 October 2018 and will take effect from that date.
- 16 The Council will review the Scheme from time to time at intervals of no greater than

five years or if required to do so by the Scottish Ministers.



# The City of Edinburgh Council

10.00 am, Thursday, 25 October 2018

## Edinburgh Partnership Community Plan 2018-28

<b>Item number</b>	8.3
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	All
<b>Council Commitments</b>	

### Executive Summary

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The Edinburgh Partnership, as the community planning partnership for the city, is required under the Community Empowerment (Scotland) Act 2015 to produce a Local Outcome Improvement Plan.

The plan provides the framework for supporting the delivery of partnership working to improve outcomes for those residents in the city experiencing the greatest inequality. Work on the development of the plan has been progressed by community planning partners over the recent months with the final draft now produced.

This report provides summary details of the development process and presents the final draft plan for agreement prior to the formal approval of the Edinburgh Partnership at its meeting on 30 October 2018.

## Edinburgh Partnership Community Plan

### 1. Recommendations

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- 1.1 To approve the Community Plan as set out in Appendix 1.
- 1.2 To note the plan will be subject to the approval of the Edinburgh Partnership on 30 October 2018.

### 2. Background

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- 2.1 The Edinburgh Partnership is the community planning partnership for Edinburgh and brings together public agencies, the third and private sectors, to improve outcomes for residents in the city.
- 2.2 The Community Empowerment (Scotland) Act 2015 requires the Partnership to publish a Local Outcomes Improvement Plan (LOIP). This community plan sets out a shared vision for the city, identifying the priorities that community planning partners, by working together, will seek to deliver.
- 2.3 The Edinburgh Partnership at its meeting on 7 December 2017 considered proposals for the new plan and agreed that it should be streamlined and focused on a limited number of shared priorities to tackle poverty and inequality which could only be addressed jointly by partners.
- 2.4 Work on developing the plan was taken forward by a group comprising officers from the public and third sectors, with colleagues from NHS Lothian and Skills Development Scotland taking a lead role. A programme of stakeholder engagement informed the identification of the priorities, which addresses the Edinburgh Partnership's requirement for a tight focus based on additionality.
- 2.5 At its meeting of 24 September 2018, the Edinburgh Partnership Board, considered a first draft of the plan. Further work was requested to refine some aspects of the text and the performance measures.
- 2.6 Briefing sessions were offered to all elected members and the first draft plan circulated for information. The Corporate Policy and Strategy Committee considered the plan on 2 October 2018. Feedback from this, together with the Edinburgh Partnership, has informed the final draft plan.
- 2.7 As agreed at the Corporate Policy and Strategy Committee, the final draft plan is being presented to the City of Edinburgh Council for approval prior to its consideration by the Edinburgh Partnership at its meeting on 30 October 2018.

### 3. Main report

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- 3.1 The Edinburgh Partnership community plan:
- 3.1.1 sets out the strategic direction for community planning in Edinburgh;
  - 3.1.2 describes the shared priorities of the Edinburgh Partnership and the actions it will take towards achieving those priorities; and
  - 3.1.3 describes how progress and success will be measured. This includes the need for SMART target setting for the output measures as part of the development of actions.
- 3.2 The Edinburgh Partnership agreed that the new community plan should focus on tackling poverty and inequality, recognising that this is the single most critical challenge faced by community planning partners in the city. The drivers of, and solutions to, issues of poverty and inequality are entrenched and complex and require significant effort to resolve. To address this, the Partnership agreed to identify a limited number of thorny issues that could only be tackled collaboratively by partners.
- 3.3 It was recognised that the community plan does not stand alone but is part of a wider multi-agency and partner policy and strategy framework designed to deliver improved outcomes for Edinburgh's citizens and communities. The plan is designed to complement and align with these existing strategies and plans, not duplicate or reiterate what is already happening. In doing this, the longer-term aspirations for the city are also recognised, with the plan contributing to the 2050 Edinburgh City Vision.
- 3.4 The Edinburgh Partnership has been clear about its ambition to change the way of working, to listen and deliver, and through leadership, collaboration and joint resourcing, make a difference to the intractable issues in the city. The plan identifies three priority workstreams, which over the period of the plan will deliver actions to ensure that citizens across all parts of Edinburgh have:
- 3.4.1 **Enough money to live on:** Family income is often used as a key indicator of resources available and, by extension, of the ability to maintain an acceptable standard of living. Within this context, this workstream includes actions to maximise the income available to lower income households, and to ensure that residents have enough money to live on
  - 3.4.2 **Access to work, learning and training opportunities:** Worklessness remains the single most important predictor of poverty - 74% of households in which no adult is in work live on incomes below the poverty threshold. However, work alone is not necessarily sufficient to prevent poverty. This workstream aims to provide additional targeted services to help residents access the work, learning, and training opportunities they need to maintain a good quality of life.
  - 3.4.3 **A good place to live:** The places people live, work, and play, and the connections with others those places help form, all have a significant impact

on the health and wellbeing of citizens, and the way they experience the effects of poverty. This workstream aims to articulate the additional actions the Edinburgh Partnership needs to take to ensure people in the city can access a good, affordable, and well designed, place to live.

- 3.5 The plan sets out an initial programme of work under each of these priorities. This programme will further develop over time in response to the needs of communities, and the recommendations and actions proposed by the Edinburgh Poverty Commission during 2019.
- 3.6 To deliver these ambitions, the Edinburgh Partnership will exercise the significant levers of change and influence only it can provide through:
- 3.6.1 providing high profile leadership to ensure that these priorities are embedded throughout the work of all partners across the city;
  - 3.6.2 creating new opportunities for partner integration and collaboration to tackle these shared challenges;
  - 3.6.3 building on work already in place across the partnership network to identify and create new projects and partnership actions; and
  - 3.6.4 seeking new ways to combine partnership assets to drive change and deliver improved outcomes.

### **Next Steps**

- 3.7 This report represents a final draft of a new Edinburgh Partnership Community Plan for consideration by the City of Edinburgh Council. The plan will be presented for approval by the Edinburgh Partnership Board at its meeting on 30 October 2018.

## **4. Measures of success**

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- 4.1 The community plan identifies the outcome and initial action performance indicators. Further detailed measures will be identified as part of the development and action planning processes.

## **5. Financial impact**

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- 5.1 The costs associated with this report are contained within existing budgets.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 No adverse risks or policy impacts have been identified as associated with this report.

## **7. Equalities impact**

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- 7.1 Community planning activity contributes to the delivery of the Equality Act 2010 general duties of advancing equality of opportunity and fostering good relations. The plan will be subject to an integrated impact assessment to ensure due regard is taken to equality and rights.

## **8. Sustainability impact**

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- 8.1 The community plan will be screened under Schedule 2 of the Environmental (Scotland) Act 2005.

## **9. Consultation and engagement**

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- 9.1 This plan has been developed by a working group of officers from community planning partners across the city and builds on findings of community engagement work carried out during 2017 and 2018.

## **10. Background reading/external references**

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- 10.1 None.

### **Andrew Kerr**

Chief Executive

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## **11. Appendices**

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Appendix 1: Edinburgh Partnership Community Plan 2018- 28



THE EDINBURGH PARTNERSHIP

# Edinburgh Partnership Community Plan 2018 - 2028



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## Foreword

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**Edinburgh is a successful and prosperous city for many, but many residents are still unable to access the opportunities that exist in our fantastic capital.**

Our new Community Plan shows the commitment of the Edinburgh Partnership to work together to focus on reducing poverty and inequality within the city and improve the quality of life for all. The plan identifies those issues that require sustained joint working to make a difference.

Our ten-year plan has been jointly developed by community planning partners, based on what our communities have said are the issues for them and their areas. Our plan is focused, covering three central themes: making sure people have a good place to live, enough money to live on and access to work, learning or training opportunities.

Community participation is at the heart of community planning. Edinburgh is made up of many communities and it is important to listen to what communities have articulated their needs and aspirations to be.

We will continue to measure, monitor and develop the plan to reflect the changing needs of the communities as well as ensuring that progress is being made towards the outcomes we have agreed.

It is up to all of us now to take on board these views and work together to deliver for our communities. This is the only way we will make a difference and ensure that Edinburgh has a positive, equitable and inclusive future.



**Cllr Adam McVey,**

**Chair, Edinburgh Partnership and  
Leader of The City of Edinburgh  
Council**



# Our vision

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## Purpose

The Edinburgh Partnership is the community planning partnership for Edinburgh. It brings together public agencies, the third sector, and the private sector with communities, to improve the city, its services and the lives of people who live and work here. Our vision focuses on prevention and early intervention and recognises the role of social disadvantage and poverty in creating inequalities in our communities.

The Community Empowerment (Scotland) Act 2015 requires the Partnership to publish a Local Outcomes Improvement Plan (LOIP), or Community Plan. This document sets out our shared priorities for the city, and describes the areas where we, the Edinburgh Partnership, will work together to make improvements and meet these priorities.

This plan:

- sets the strategic direction for community planning in Edinburgh over ten years
- describes the shared priorities we are working to achieve

- describes what we are going to do to achieve those priorities
- describes how we are going to measure our progress on these priorities.

It aims to provide a framework within which every member of the Edinburgh Partnership can make an active contribution to meeting our shared priorities.

## Partnership Vision

In developing this plan, we have set out a clear vision to guide our work together:

***Our vision is that Edinburgh is a thriving, connected, inspired and fair city, where all forms of poverty and inequality are reduced.***

With this vision, we aim to set the direction needed for community planning partners in Edinburgh to begin to meet the long-term aspirations for the city set out by the Edinburgh 2050 City Vision, and to support the local priorities set out in Locality Improvement Plans.

Community planning partners in the city already work together across many strategies, partnerships and areas of policy, including the joint planning of services for:

- local communities, through Locality Improvement Plans established for each area of the city
- children and young people, through the Edinburgh Children's Services Plan
- health and wellbeing, through the Edinburgh Integration Joint Board, and the Edinburgh Health and Social Care Partnership Strategic Plan
- economic development through the Edinburgh Economy Strategy and the Edinburgh and South-East Scotland City Region Deal
- a vibrant third sector, through the Edinburgh Compact Partnership Strategic Framework and Action Plan
- placemaking and sustainable communities, through the City Housing Strategy, City Mobility Plan, and Local Development Plan
- safer communities, through the Criminal Justice Outcome Improvement Plan, and
- environmental sustainability, through the Sustainable Edinburgh 2020 Framework.

[Appendix 2](#) of this plan provides an overview of and links to the key partnership plans and strategies in place to guide this work, as well as the corporate plans of key partners such as Police Scotland.

This plan does not seek to replicate or capture the actions or outcomes included in each of these plans, but instead seeks to articulate the additional actions needed, the additional leadership, integration, and collaborations required by the Edinburgh Partnership.

## **A focus on poverty and inequality**

To focus our work, this community plan concentrates on a few key priorities where additional joint action is needed, and has the greatest potential to address poverty and inequality in our city.

Edinburgh is recognised as an affluent and growing city, but is also a city with wide levels of inequality and home to some of the most excluded communities in Scotland. Average incomes within the city are high, and the city has never had more people in work than now<sup>1</sup>. However, this masks that more than one in five of all children in Edinburgh grow up in poverty, that this ratio rises to more than one in

three in some parts of the city<sup>2</sup> and that work alone is not necessarily sufficient to keep families out of poverty.

The evidence base is well established, and tackling poverty and inequality is the most important challenge jointly faced by all members of the Edinburgh Partnership. This challenge is critical to meeting priorities set out in strategic partnership and agency plans across the city. More than that, these are issues which cannot be addressed effectively by any one partner or partnership alone.

This focus on poverty and inequality is consistent with guidance provided through the Fairer Scotland Duty, and the requirement for public bodies to act to reduce inequalities of outcome caused by socio-economic disadvantage. It aligns with the direction provided by the new Public Health Priorities for Scotland, which encourage public services, third sector, community organisations and others to work better together to address the drivers of inequalities in Scotland's health. In doing so, it encourages new preventative approaches to improving health and wellbeing.

This plan sets out how we are going to fulfil the duties of the Community Empowerment (Scotland) Act 2015 which provides a framework for community planning partners that focuses on working together with communities to improve outcomes and reduce inequalities.

## **Three priority workstreams**

The drivers of, and solutions to, issues of poverty and inequality are entrenched and complex and require significant partnership effort and investment to resolve. Through consultation with partners and building on advice gathered from communities across the city, we have identified a series of areas where additional action and leadership (above and beyond the individual strategic plans and priorities of each Edinburgh Partnership member) is needed to mitigate, prevent, and undo the effects and causes of poverty and inequality. These actions build on guidance and advice published by agencies such as Health Scotland, the Joseph Rowntree Foundation, and the Christie Commission.

Over the period of this plan, we will deliver actions to ensure that residents across all parts of Edinburgh have:

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<sup>1</sup> NOMIS Annual Population survey March 2018

<sup>2</sup> End Child Poverty (ECP) coalition data 2018

- **Enough money to live on:** Family income is often used as a key indicator of resources available and, by extension, of the ability to maintain an acceptable standard of living. Within this context, this workstream includes actions to maximise the income available to lower income households, and to ensure that residents have enough money to live on.
- **Access to work, learning and training opportunities:** Worklessness remains the single most important predictor of poverty - 74% of households in which no adult is in work live on incomes below the poverty threshold. However, work alone is not necessarily sufficient to prevent poverty. This workstream aims to provide additional targeted services to help residents access the work, learning, and training opportunities they need to maintain a good quality of life.
- **A good place to live:** The places people live and work, the connections with others and the extent to which they can influence the decisions that affect them, all have a significant impact on their quality of life and wellbeing. This workstream aims to articulate the additional actions we need to take to ensure residents can access an

affordable, well designed, safe and inclusive place to live.

Across all three workstreams, the plan sets out our programme of work under each of these priorities. This programme will further develop over time, through ongoing dialogue with communities experiencing poverty and inequality, and in response to the recommendations and actions proposed by the **Edinburgh Poverty Commission** and the **Commission on Prevention** during 2019.

To deliver these actions, we will:

- provide high profile leadership that ensures these priorities are embedded throughout the work of partners across the city
- create new opportunities for partner integration and collaboration to tackle these shared challenges
- build on work already in place across the partnership network to create new projects and partnership actions, and
- seek new ways to combine partnership assets to drive change and deliver improved outcomes.

The remainder of this document sets out the actions and activities we will lead on

under each of these three workstreams. Each workstream sets out:

- **What we know** – evidence on the scale of the challenge and the opportunity to make improvements through partnership action.
- **What we do now** – current partnership activity already in place, and the additional activity needed to meet our vision.
- **The difference we will make** – the changes and actions that will be led by us through the implementation of this plan, and the outcomes those actions will deliver.
- **How we will know we have made a difference** – the performance indicators we will track throughout the life of this plan to provide insight into progress.

These indicators will form part of our performance framework which includes:

- Life experience stories: key to ensuring we are listening to individuals directly affected to inform future actions.
- Long term outcome indicators: key to monitoring the overarching challenges we aim to impact over the longer term.

- Medium term indicators: key to monitoring the impact of our joint actions taken forward under the priorities in this plan. These indicators may change as new areas for action are identified and implemented during the life of the plan.
- Progress on actions through output measures.

We have identified a suite of high level outcome indicators which are shown under the three priorities and will be monitored throughout the life of the plan. These outcomes indicators are also summarised in [Appendix 3](#).

The development of medium term indicators and output measures focusing on the impact of the actions under the three priorities is underway. SMART target setting for the output measures will be part of the development and implementation of actions. Initial indicators, where agreed, are shown within the plan. However, these indicators need to reflect current actions being undertaken by the Partnership so will change during the life of the plan.

## Priority 1: Enough money to live on

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According to most standard definitions, a person is said to be in poverty when their resources fall below the level needed to meet their minimum needs. Family income is often used as a key indicator of resources available and, by extension, of the ability to maintain an acceptable standard of living, and to take part in society. Within this context, a core element of most strategies to prevent, reduce, and mitigate poverty are actions to maximise the income available to lower income households, and to ensure that people, of all ages, have enough money to live on.

### What do we know?

Evidence shows that poverty rates in Edinburgh are high. Rates in some parts of the city are as high as any in Scotland. Action to improve incomes can have a significant impact on resident's lives.

- Over 80,000 of Edinburgh's residents live on incomes below the UK poverty threshold. 22% of Edinburgh's children grow up in poverty, with a number of wards showing poverty rates at more than 30%<sup>3</sup>.
- Employment remains the best way to improve income, but having a job does not always ensure that people have enough money to live on. 54% of people in poverty live in a household<sup>4</sup> where at least one adult is in work, and this ratio has risen sharply in recent years.
- Low pay and insufficient working hours are significant drivers of in-work poverty. 19% of Edinburgh residents work for hourly wages below the level set by the Living Wage Foundation. 8% of workers are unable to work for as many hours as they would like each week.
- Research highlights that harsh debt recovery practices, benefits delays, gaps or sanctions, health and disability related financial problems, and food, fuel and housing costs are key drivers for financial insecurity<sup>5</sup>.
- Additional actions, led by the public and third sector, can be effective in increasing the amount of money that residents have to live on. This can include support to maximise incomes, advice on benefits, advice on reducing costs, as well as direct measures to 'poverty proof' public services (such as reducing the cost of the school day).
- These actions can provide a significant impact for people, as well as delivering efficiencies for service providers:
  - a Social Return on Investment analysis on services in Edinburgh

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<sup>3</sup> End Child Poverty (ECP) coalition data 2018

<sup>4</sup> NOMIS definition: A household is a single person, or a group of people living at the same address who have the address as their only or main residence and either share one main meal a day or share living accommodation (or both). Households include at least one person aged 16-64.

<sup>5</sup> Fitzpatrick S, Bramley G, Sosenko F, Blenkinsopp J, Wood J, Johnsen S, et al. Destitution in the UK 2018. York: Joseph Rowntree Foundation; 2018

and Dundee concluded that every £1 invested generated around £39 of health, social and economic benefits.

- analysis has shown that for every £1 invested, around £15 of financial gain is generated from a mixture of increased income eg welfare benefits, income maximisation, rescheduled debts, one off payments or written off debts.
- a recent project aimed at increasing uptake of Healthy Start Vouchers in Leith reported securing on average £4,500 per individual during 2015/16<sup>6</sup>. Families involved in the recent Dalry school cluster project gained on average £4,000 per household<sup>7</sup>.

## What are we doing now?

Community planning partners provide a range of services to improve the financial position of low income families. These include services provided by the City of

Edinburgh Council, NHS Lothian, voluntary sector organisations, housing providers and others. These services include welfare advice, income maximisation, debt advice, emergency grant and loans, and housing advice and support services.

These services are resourced in a variety of ways such as grants, tendered contracts or direct from funders. Funding timescales often do not align which can reduce the ability of partners to plan properly and can result in the removal of services in different parts of the city or for different client groups. Accessibility and quality of services can vary so that people accessing services in different parts of the city may not be assured of the same level of service.

Across the system, there is, at present, no overview which allows for planning and co-ordination of services. As a result, it is difficult for partners to target services to those areas or groups where need is highest, to ensure that maximum impact is being delivered for public investment, and to ensure that residents have a simple and accessible service in all parts of the city.

## What difference will we make?

We will work together to deliver a more co-ordinated approach to planning income maximisation, support, and advice services. As a result, residents should have access to income maximisation support where and when they need it and receive the same high quality support wherever they are in the city.

We will agree and implement a common Edinburgh approach to income maximisation to ensure that services are:

- more accessible to residents in need of support: services will be in communities with highest need in a range of locations such as community projects, health centres and council locality offices
- targeted to those in greatest need, including specific groups (e.g. lone parents, low income families, people with disabilities, people involved with criminal justice system, homeless, older people, and carers)

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<sup>6</sup> Mackenzie G, Dougall A. Increasing Healthy Start food and vitamin voucher uptake for low income pregnant women (Early Years Collaborative Leith Pioneer Site). BMJ Quality Improvement Reports. 2016;5(1)

<sup>7</sup> The City of Edinburgh Council '1 in 5' project

- more co-ordinated and avoid duplication: shared service standards will be established to ensure residents get the highest quality service wherever they access services and services will be available across the city. This will include improving links to other related services already targeting these groups.

In delivering these services, income maximisation is primarily viewed as a means to mitigate and reduce the effects of poverty and low income and to prevent crises brought on by debt and lack of financial management skills. We will also work to develop a prevention programme.

### **How will we know we have made a difference?**

The following key measures will be used to track progress in the delivery of this workstream:

#### **Outcome measures:**

- percentage of children in poverty
- percentage of children in poverty by ward.

#### **Action specific measures:**

Indicators focused on the actions are still to be defined as part of the service standards setting work to be undertaken. These indicators will cover the following areas:

- Uptake of services
- Outcomes for people supported.

## Priority 2: Access to work, learning and training opportunities

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Worklessness remains the single most important predictor of poverty. 74% of households in which no adult is in work live on incomes below the poverty threshold<sup>8</sup>. However, work alone is not necessarily sufficient to prevent poverty. We will provide additional targeted services to help residents access the work, learning, and training opportunities they need to maintain a good quality of life.

### What do we know?

Unemployment in Edinburgh is lower than any other major city in the UK, and the number of people in employment in the city has never been higher than it is now<sup>9</sup>. Despite this success, worklessness remains a problem. 13% of households in Edinburgh have no adult in employment, and our engagement with partners shows that additional action is needed to support residents with specific needs. In particular, we know that:

- 69% of young people with care experience secure a positive destination

on leaving school, compared to a city average of 93%.

- Increasing educational attainment levels helps improve outcomes in adulthood. In the 2016-17, 86% of all school leavers left with at least one pass at National 5 or equivalent. By contrast, only 75% of leavers from the most deprived areas of Edinburgh (SIMD quintile 1) achieved this level of attainment. The figure for leavers with care experience was yet lower, at 46%.
  - The 15–24 Learner Journey (published in May 2018)<sup>10</sup> found that some young people felt that the focus on attainment and qualifications within schools was not giving them the skills required to succeed in life, learning and work. As a result, some felt ill-prepared for life after school and this had a negative impact on their learner journeys. This was found to be particularly true of young people from socially disadvantaged backgrounds, who may have limited support to develop life skills at home.
- Work alone is not necessarily sufficient to prevent poverty, 56% of people in poverty in Edinburgh live in a family where at least one adult is in work.
  - Work undertaken to map service provision against client data<sup>11</sup>, as well as discussions during the co-production of services with stakeholders, service providers and service users has highlighted gaps in provision around three key areas.
    - Multiple agencies are often working with members of the same family but not wholly joined up or connected. Systemic failure occurs where individuals and families are consistently losing out or not fully engaging.
    - Those in prison face challenges that require a clearer partnership approach to avoid homelessness, substance abuse and reoffending. Support for people with convictions needs to be coherent and holistic.

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<sup>8</sup> NOMIS Annual Population survey March 2018

<sup>9</sup> Based on data to March 2018

<sup>10</sup> Scottish Government publication May 18

<sup>11</sup> Data analysis covering client data for 2017/18



- Care experienced young people are less likely to engage fully and benefit from the current Edinburgh employability offer focused on young people.

## What are we doing now?

Edinburgh's employability offer is structured around an Employability Pipeline. Edinburgh's Job Strategy Group ensures this offer is a joined-up partnership approach, avoids duplication and identifies gaps and market failure and offers solutions. Whilst this approach works for many, there are still some residents who face challenges and disadvantage that can only be tackled through partnership efforts.

We have good practice and learning already established. These include:

- a complex needs employability service with a focus on substance misuse, homelessness and involvement with criminal justice services
- a learning evaluation from a four year intensive family project with recommendations to tackle child poverty
- Statutory bodies, employability providers and employers developing a cohesive strategy in supporting people with convictions in Edinburgh into work to reduce reoffending

- Extensive employability services for young people, including Developing Young Workforce and Edinburgh Guarantee, to create opportunities between schools, colleges and employers and increase school engagement through to positive destinations
- Youth work supporting young people's achievements leading to increased educational attainment, employability and health and wellbeing.

## What difference will we make?

The practice identified above shows the potential of targeted partnership working to address gaps in service provision, and support residents with complex needs. Through the delivery of this plan, we will work together to provide new targeted support to help residents whose needs are not met by other programmes into and through the Employability Pipeline. This will include delivery of additional support for:

- **Excluded Families:** long term integrated support for 60 identified families to help them into work. These families are not able to take up the existing employability offer as they have a high level of need compounded with often chaotic experiences. In some instances, there is a wider family

network with little experience of regular work. We will provide long-term sustained pre-employability action to address this, ranging from young people in school to adults who have never worked.

- **People on release from prison:** we will develop stronger links between community justice and employability services so we can offer a systematic, holistic, joined up and long-term sustained partnership approach to working with people released from prison.
- **Young people with care experience:** we will recognise, promote and support wider achievement among young people with care experience by working together to:
  - improve engagement by broadening the range of quality educational experiences offered
  - ensure there is integrated and appropriate support services to enable them to achieve a sustainable positive destination.

## **How will we know we have made a difference?**

The following key measures will be used to track progress in the delivery of this workstream:

### **Outcome measures:**

- Percentage of households with no adult in employment
- Employment rates

### **Action specific measures:**

- Status tracking of 60 families over time
- Percentage of Edinburgh resident prison leavers with a positive destination within six months of release
- Percentage of looked after young people who secure a positive destination on leaving school compared to a city average
- Percentage of pupils living in most deprived areas gaining 1+ awards @ SCQF level 5.

## Priority 3: A good place to live

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The places people live and work, the connections with others and the extent to which they can influence the decisions that affect them, all have a significant impact on their quality of life and wellbeing. This includes the immediate physical environment, the social networks people belong to, the design of housing, and accessibility to work and services. This has a profound effect on the way people experience poverty and low income<sup>12</sup>.

A significant factor is in the extent to which high housing costs can trap people in poverty and reduce the opportunity to progress. The design of the environment in which people live provides opportunities to develop approaches to improving people's health and wellbeing that draw on all the assets and resources of a community, including how public services integrate and how communities build resilience.

We aim to ensure residents can access an affordable, well designed, safe and inclusive place to live.

### What do we know?

Evidence shows us that

- Housing in Edinburgh is expensive and a major contributor to poverty and inequality. The average house price is six times the average gross annual earnings in the city, making Edinburgh the least affordable city in Scotland to buy a home<sup>13</sup>.
- Housing costs in Edinburgh have continued to rise and the number of new homes being built is not meeting housing need and demand, particularly for those on lower incomes. High housing costs pose a risk to the longer term economic growth of the city and widen the inequality gap, particularly in key sectors such as health and social care.
- Those areas where poverty is highest also show lower than average satisfaction with their neighbourhood as a place to live, and lower than average

perceptions of their neighbourhood as a safe place to be after dark<sup>14</sup>.

- Engagement with communities clearly identified place making as important. Communities expressed a shared desire for improving various services within their localities including more integrated transport systems and improved use of civic space. This helps to create a nurturing environment to facilitate the development of community projects and greater social value.

### What are we doing now?

The Council and its registered social landlord (RSL) partners have made a commitment to deliver 20,000 new affordable and low-cost homes in Edinburgh over ten years. This includes a commitment to support Edinburgh Health and Social Care Partnership's Strategic Plan priorities through investment to build around 4,500 affordable homes, integrated with health and social care services, to

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<sup>12</sup> Public Health Priorities for Scotland

<sup>13</sup> Affordable Cities review annual report

<sup>14</sup> The City of Edinburgh Council publication, Edinburgh Peoples Survey

meet the needs of older people and people with complex physical and health needs.

These are ambitious goals, and show a commitment to encourage investment in new and existing housing to drive place-led development and bring about wider economic and social benefits. However, additional support is required from us in helping to deliver these commitments. In particular work is needed to:

- ensure the provision of land for housebuilding
- deliver a new approach to placemaking
- create sustainable places with well-located and co-located services.

### **What difference will we make?**

We will work together to:

- maximise the land to deliver affordable homes
- maximise the value and outcomes from Edinburgh's public-sector estate and

deliver opportunities for accelerated investment through strategic partnership and review of public sector assets

- identify more, and strengthen opportunities to work in partnership, as public sector bodies and with communities and the private sector, to create good places to live. This will include seeking new placemaking approaches to support the delivery of accessible and open places, with good links to health, childcare, and other services.

### **How will we know we have made a difference?**

The following key measures will be used to track progress in the delivery of this workstream:

#### **Outcome measures:**

- Satisfaction with Edinburgh as place to live

- Satisfaction with neighbourhood as place to live
- Neighbourhood is a place where people of different backgrounds get along
- Number of new affordable home approvals
- Number of new affordable home completions.

#### **Action focused measures:**

Indicators focused on the actions are still to be defined as part of the implementation of actions. These indicators will cover the following areas:

- appropriate land - identification and releasing for development
- place-making - outcomes for communities.

## Our approach

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As a partnership we are committed to transforming the way we work. We recognise the need to combine our resources, thinking beyond our organisational boundaries, to work more meaningfully with communities to deliver our shared ambitions for change.

Core to this success is the genuine engagement with residents and communities, recognising their knowledge and expertise and using this to influence, prioritise and shape all our activity.

We are committed to strengthening community influence and participation, and creating opportunities for participation in different ways and at all levels, identifying and addressing the barriers to involvement. We will continue to use the National Standards for Community Engagement to inform our practice and improve the impact of this work evidencing the participation and views of our communities and how they have been taken into account.

We recognise for us to deliver we will need to strengthen and improve all aspects of the

way we work, building and capitalising on our existing practice. We plan to establish new governance arrangements that will improve our decision making and increase transparency and accountability.

Critical to achieving our priorities, is identifying, and committing the necessary joint resources. To do this we will:

- improve how we share information about residents, performance, and services
- use data and insight more effectively to drive change in the way we design, plan and deliver services
- work collaboratively to develop and support staff from all our organisations to work together, ensuring they have the appropriate skills and knowledge to deliver our ambitions and work effectively with communities
- take a practical approach to change, identifying, and maximising opportunities for rationalisation,

collaborative working, and integrated service delivery

- develop a clear understanding of levels of expenditure on each priority, using this information to combine budgets to reshape services
- commit resources to support the administration and facilitation of community planning in the city
- support our accountability through a consistent approach to performance management and progress monitoring and reporting
- recognising that at times, legislative imperatives change priorities and impact on outcome development.

In delivering the plan we will collaborate with others to build and develop our understanding of the evidence, using this to influence investment decisions and to make the case for change of policy and strategy at a national level.

# Appendices

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## Appendix 1: Edinburgh Partnership Board

Armed forces

The City of Edinburgh Council

Edinburgh Affordable Housing Partnership

Edinburgh Association of Community Councils (EACC)

Edinburgh Chamber of Commerce

Edinburgh College

Edinburgh University

Edinburgh Voluntary Organisations' Council (EVOC)

Equality and Rights Network (EaRN)

Integrated Joint Board

NHS Lothian

Police Scotland

Scottish Enterprise

Scottish Fire and Rescue Service

Skills Development Scotland

## **Appendix 2: Key partnership strategies and plans (current at October 2018)**

### **National**

Community Empowerment (Scotland) Act 2015 –

[www.legislation.gov.uk/asp/2015/6](http://www.legislation.gov.uk/asp/2015/6)

[beta.gov.scot/publications/community-empowerment-scotland-act-summary/](http://beta.gov.scot/publications/community-empowerment-scotland-act-summary/)

Fairer Scotland Duty –

[www.gov.scot/FairerScotland](http://www.gov.scot/FairerScotland)

[www.gov.scot/Resource/0050/00506841.pdf](http://www.gov.scot/Resource/0050/00506841.pdf)

National Performance Framework - [www.gov.scot/About/Performance/purposestratobjis](http://www.gov.scot/About/Performance/purposestratobjis)

Public Health Priorities for Scotland - [beta.gov.scot/publications/scotlands-public-health-priorities/](http://beta.gov.scot/publications/scotlands-public-health-priorities/)

Social Enterprise strategy - [beta.gov.scot/publications/scotlands-social-enterprise-strategy-2016-2026/](http://beta.gov.scot/publications/scotlands-social-enterprise-strategy-2016-2026/)

### **Partnership**

Edinburgh 2050 City Vision - [www.edinburgh2050.com/](http://www.edinburgh2050.com/)

Locality Improvement Plans - [www.edinburgh.gov.uk/info/20017/our\\_main\\_offices/1663/locality\\_improvement\\_plans](http://www.edinburgh.gov.uk/info/20017/our_main_offices/1663/locality_improvement_plans)

Criminal Justice Outcome Improvement Plan -

[www.edinburgh.gov.uk/download/downloads/id/9174/edinburgh\\_community\\_justice\\_outcomes\\_improvement\\_plan\\_201718.pdf](http://www.edinburgh.gov.uk/download/downloads/id/9174/edinburgh_community_justice_outcomes_improvement_plan_201718.pdf)

Edinburgh Children's Services Plan - [www.edinburgh.gov.uk/downloads/file/10486/summary\\_2017\\_to\\_2020](http://www.edinburgh.gov.uk/downloads/file/10486/summary_2017_to_2020)

Edinburgh Compact Partnership Strategic Framework and Action Plan –

[www.edinburghcompact.org.uk/what-we-do/compact-partnership-strategy-and-action-plan/](http://www.edinburghcompact.org.uk/what-we-do/compact-partnership-strategy-and-action-plan/)

Edinburgh Economy Strategy [www.edinburgh.gov.uk/download/meetings/id/57319/item\\_71 - edinburgh economy strategy](http://www.edinburgh.gov.uk/download/meetings/id/57319/item_71_-_edinburgh_economy_strategy)

Edinburgh Health and Social Care Partnership Strategic Plan -  
[www.edinburgh.gov.uk/transformedinburgh/downloads/file/132/strategic\\_plan\\_2016-2019](http://www.edinburgh.gov.uk/transformedinburgh/downloads/file/132/strategic_plan_2016-2019)

Edinburgh and South-East Scotland City Region Deal - [www.acceleratinggrowth.org.uk/](http://www.acceleratinggrowth.org.uk/)

### **Partner (single agency)**

The City of Edinburgh Council - City Housing Strategy –  
[www.edinburgh.gov.uk/info/20245/services\\_for\\_communities/1003/housing\\_strategy](http://www.edinburgh.gov.uk/info/20245/services_for_communities/1003/housing_strategy)

The City of Edinburgh Council - Local Development Plan -  
[www.edinburgh.gov.uk/info/20164/proposed\\_local\\_development\\_plan/66/local\\_development\\_plan](http://www.edinburgh.gov.uk/info/20164/proposed_local_development_plan/66/local_development_plan)

The City of Edinburgh Council - Strategic Housing Investment Plan 2018-2023  
[www.edinburgh.gov.uk/downloads/file/10336/strategic\\_housing\\_investment\\_plan\\_ship\\_2018-2023](http://www.edinburgh.gov.uk/downloads/file/10336/strategic_housing_investment_plan_ship_2018-2023)

Edinburgh College – Strategic Plan  
[www.edinburghcollege.ac.uk/Welcome/Governance/College-Publications/Strategic-Plan#](http://www.edinburghcollege.ac.uk/Welcome/Governance/College-Publications/Strategic-Plan#)

NHS – Out Health Our Care Our Future: NHS Lothian Strategic Plan 2014-2024  
[www.nhslothian.scot.nhs.uk/OurOrganisation/OurHealthOurCareOurFuture](http://www.nhslothian.scot.nhs.uk/OurOrganisation/OurHealthOurCareOurFuture)

Police Scotland – Annual Police Plan –  
<http://www.scotland.police.uk/assets/pdf/138327/150739/Annual-Police-Plan-2018-19?view=Standard>

Police Scotland – Policing 2026 - [www.scotland.police.uk/assets/pdf/138327/386688/policing-2026-strategy.pdf](http://www.scotland.police.uk/assets/pdf/138327/386688/policing-2026-strategy.pdf)

Scottish Fire and Rescue Service – Strategic Plan 2016 - 19  
[www.firescotland.gov.uk/media/1005163/scottish\\_fire\\_and\\_rescue\\_service\\_strategic\\_plan\\_2016\\_19.pdf](http://www.firescotland.gov.uk/media/1005163/scottish_fire_and_rescue_service_strategic_plan_2016_19.pdf)

Scottish Fire and Rescue Service – Local plan  
[www.firescotland.gov.uk/media/1228026/edinburgh\\_local\\_fire\\_and\\_rescue\\_plan\\_2017.pdf](http://www.firescotland.gov.uk/media/1228026/edinburgh_local_fire_and_rescue_plan_2017.pdf)



Sustainable Edinburgh 2020 Framework -

[www.edinburgh.gov.uk/info/20206/sustainable\\_development\\_and\\_fairtrade/841/sustainable\\_edinburgh\\_2020](http://www.edinburgh.gov.uk/info/20206/sustainable_development_and_fairtrade/841/sustainable_edinburgh_2020)

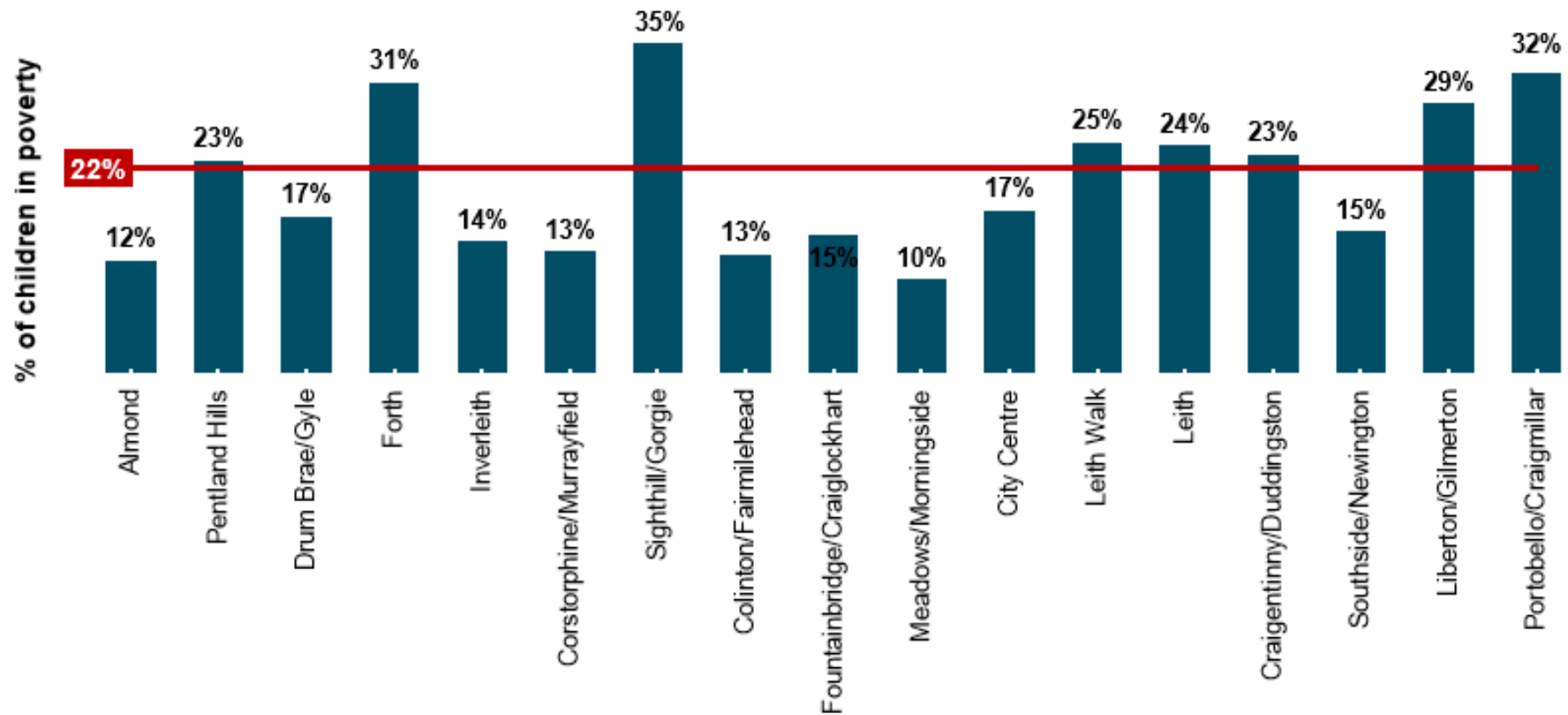
### Appendix 3: Table of outcome indicators

Indicator	Latest figure
Percentage of children living in poverty	22%
Percentage of children living in poverty by ward	See chart below
Number of households with no adult in employment	26,800
Employment rates	78.1%
Satisfaction with Edinburgh as a place to live	95%
Satisfaction with neighbourhood as place to live	89% Ranging from 78% in Forth ward to 98% in Morningside ward
Neighbourhood is a place where people of different backgrounds get along	85% Ranging from 74% in Forth ward to 91% in Southside/Newington ward
Number of new affordable home approvals	1,475 (17/18 figure for baseline)
Number of new affordable home completions	966 (17/18 figure for baseline)



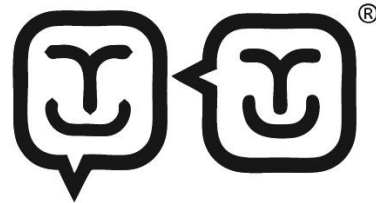
# Child Poverty in Edinburgh

## % in Poverty by Ward



Source: *End Child Poverty 2018*

(please note: Ward boundaries have been updated subsequent to the publication of these figures (Local Government Boundary Commission for Scotland, 2017))



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## The City of Edinburgh Council

May 2015 to September 2018

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	22-06-17	<a href="#">Political Management Arrangements 2017</a>	To agree that the Chief Executive carries out a review of the political management arrangements in 12 months.	Chief Executive	June 2018	28 June 2018	<b>Recommended for closure</b>  Report to Council on 28 June 2018
2	22-06-17	<a href="#">Appointments to Neighbourhood Partnerships and Locality Committee Senior Councillor Allowances</a>	The role of the senior councillor for each locality will be to chair the Locality Working Group for each area, oversee the formation and implementation of the new locality committees and each locality plan in line with the Working Group's decisions.	Chief Executive	December 2018		Locality Committee Conveners have been appointed, and schedules of meetings implemented. As requested by Council during the annual review of its political management

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			These roles would be reviewed and a report brought back to Council in early 2018.				arrangements in June 2018, a review of Locality Committees will be presented in December 2018.
3	29-06-17	Attracting and Retaining Carers - Motion by Councillor Miller	Agrees to call for a report into the improvements including pay and conditions that could attract and retain care workers, in comparison to other employment options, and meet the shortfall in care provision, taking into account the results of the research.	Chief Officer, Edinburgh Health and Social Care Partnership	31 March 2019		A range of activity is underway, from the development of the workforce plan to consideration of what to do with the care at home contract, and initiatives for 'bigger' recruitment exercises.
4	24-08-17	<a href="#">Appointment of Elected Member Champions</a>	To agree to review these appointments in 12 months' time	Chief Executive	August 2018	20 September 2018	<b>Recommended for closure</b>  Report to Council on 20 September 2018

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5	21-09-17	Public Water Bottle Refill - motion by Councillor Burgess	To agree to investigate a pilot scheme to provide public water bottle refill facilities in a number of high footfall locations in the city, taking account of experience elsewhere in the UK and other countries; and submitting a report within 3 cycles.	Executive Director of Place	March 2018	August 2018	<b>Recommended for closure</b>  Report to Transport and Environment Committee on 9 August 2018
6	26-10-17	Statues - motion by Councillor Mowat	To call for a Members' Briefing, which was publicly available, detailing:  1. Whether the rubbing and exposure of the bronze does damage the statue and what is the nature of this damage and whether it affects the structure of the statue or is	Executive Director of Place			A Members' Briefing will be circulated in advance of Council on 25 October 2018.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>cosmetic.</p> <p>2. Recognising that it is very difficult to change human nature and prevent people from interacting with these statues what measures are available to protect these statues and the costs of these if indeed it is deemed necessary to take such measures; and</p> <p>3. If evidence concludes that the discolouration is damaging in a material way to the statues what factors should be taken into consideration when commissioning or advising on new</p>				



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			statues to prevent this happening to any such new commissions.				
7	23-11-17	Prison Community Integration Working Group - motion by Councillor Graczyk	1. Calls for a report in three cycles to improve help for prisoners' reintegration into local communities and reduce the risk of further offending by giving them support, such as benefit, housing, employment, healthcare and befriender services which starts inside and seamlessly continues after their release. To improve communications between Council and relevant stakeholders including, prison specialist agencies,	Chief Executive	March 2018	June 2018	<b>Recommended for closure</b>  Report to Culture and Communities Committee on 19 June 2018

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>NHS Lothian, Edinburgh Partnership and relevant Third Sector organisations.</p> <p>2. Requests that said report includes, but is not limited to:</p> <p>(a) Exploring the establishment of a joint initiative of relevant groups between the Council, prison specialist agencies, NHS Lothian, relevant stakeholders including Third Sector organisations, and cross-party elected members;</p> <p>(b) themes of co-production and early prevention to address</p>				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>the root causes of reoffending and homelessness;</p> <p>(c) investigating the creation of an appropriate mechanism or body to assist any improvements in the effective implementation of service;</p> <p>(d) improving or implementing a City-wide information sharing network for advice and knowledge so all relevant stakeholders can be more informed;</p> <p>(e) investigating how housing and other relevant advice</p>				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>could be best delivered to all relevant stakeholders and prisoners to ensure the best support is provided for prisoners and their families;</p> <p>(f) considering best practice as operated by other local Councils and other external bodies representative of prison specialist agencies and relevant stakeholders;</p> <p>(g) the level of civic and budgetary support required by the Council;</p> <p>(h) contributing to the development of a common</p>				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			understanding on the implementation of framework and guidelines for all relevant stakeholders.				
8	14-12-17	National Children's Day UK 2018 and the Year of Young People - motion by Councillor Day	Asks the Executive Director of Communities and Families to provide a briefing paper to members on how the Council can mark these events.	Executive Director for Communities and Families	February 2018	9 February 2018	<b>Recommended for Closure</b>  A briefing was circulated to members on 9 February 2018.
9	15-03-18	<a href="#">Appointment of Committee Members</a>	To review the membership of the remaining, 9-member, committees during consideration of the annual Political Management Arrangements report.	Chief Executive		23 August 2018	<b>Recommended for Closure</b>  Report to Council on 23 August 2018
10	15-03-18	Webcasting of Public Meetings – Motion by Councillor Miller	Calls for a report within one cycle to the next meeting of City of Edinburgh Council into the feasibility, benefits and	Chief Executive		3 May 2018	<b>Recommended for Closure</b>  Report to Council on 3 May 2018

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			costs of introducing webcasting for public meetings, including but not limited to the Integration Joint Board, Licensing Board, and Pensions Committee.				
11	03-05-18	Webcasting of Public Meetings – Motion by Councillor Miller	To agree to a short report, 6 months from now, on how the Pensions Committee, Licensing Board and the Edinburgh Integration Joint Board had responded to the offer of webcasting facilities.	Chief Executive	November 2018		
12	31-05-18	Edinburgh Transient visitor Levy	<p>To note plans for future engagement over the Summer as set out in paragraph 4.1 of the report by the Chief Executive.</p> <p>To note that a report would come back to Council once this further engagement had taken place.</p>	Chief Executive		2 October 2018	<p><b>Recommended for closure</b></p> <p>Report to Corporate Policy and Strategy Committee on 2 October 2018</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
13	31-05-18	Private Business – Motion by Councillor Lang	<p>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.</p> <p>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.</p>	Chief Executive	March 2019		<p>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</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>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.</p> <p>Member/officer protocol will be done by March 2019.</p>
14	28-06-18	PPP Schools and Non Core Charges - motion by Councillor Staniforth	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	Executive Director for Communities and Families	March 2019		



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			out and for a report to be presented to full council or appropriate committee setting out the potential impacts and detailing options for mitigation.				
15	23-08-18	World Suicide Prevention Day – Motion by Councillor Bird	Calls for a report within 3 cycles outlining actions currently being taken and what further actions are required to offer training sessions to elected members, council officers and within schools in mental health first aid to enable informed and supportive conversations.	Chief Officer, Edinburgh Health and Social Care Partnership	November 2018		
16	20-09-18	<a href="#">Elected Member Champions</a>	To agree to a monitoring report on work carried out in one year's time.	Chief Executive	September 2019		

# The City of Edinburgh Council

10.00am, Thursday 25 October 2018

## City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit – referral from the Finance and Resources Committee

Item number	8.5
Report number	
Wards	All
Council Commitments	

### [Executive summary](#)

---

On 27 September 2018 the Finance and Resources Committee considered a report on the principal findings arising from the City of Edinburgh Council's 2017/18 external audit. The report has been referred to the City of Edinburgh Council for noting.

# Terms of Referral

## City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit – referral from the Finance and Resources Committee

### Terms of referral

---

- 1.1 The Finance and Resources Committee on 27 September 2018 considered a report on the principal findings arising from the City of Edinburgh Council's 2017/18 external audit.
- 1.2 The Finance and Resources Committee agreed:
  - 1.2.1 To approve the audited Annual Accounts for 2017/18 and refer the report to Council for noting.

### For Decision/Action

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- 2.1 The City of Edinburgh Council is asked to note the report.

### Background reading / external references

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[Webcast of Finance and Resources Committee – 27 September 2018](#)

### Laurence Rockey

Head of Strategy and Insight

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### Links

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#### Appendices

Appendix 1 - City of Edinburgh Council - 2017/18 Annual Audit Report to the Council and the Controller of Audit – report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday, 27 September 2018

## City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee

Item number

Report number

Wards

All

### Executive summary

---

The Governance, Risk and Best Value Committee on 25 September 2018 considered a report on the principal findings arising from the City of Edinburgh Council's 2017/18 external audit.

The report has been referred to the Finance and Resources Committee for approval.

# Terms of Referral

## City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee

### Terms of referral

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- 1.1 The Governance, Risk and Best Value Committee on 25 September 2018 considered a report on the principal findings arising from the City of Edinburgh Council's 2017/18 external audit.
- 1.2 The Governance, Risk and Best Value Committee agreed:
  - 1.2.1 To note that, following the audit process, it was anticipated that an unqualified audit opinion would be issued on the Council's Annual Accounts for 2017/18.
  - 1.2.2 To refer the audited Annual Accounts for 2017/18 to the Finance and Resources Committee for approval and thereafter to Council for noting.
  - 1.2.3 To note that, following approval by the Finance and Resources Committee, the audited Annual Accounts would be signed and submitted to the external auditor.
  - 1.2.4 To note the areas of strength identified within the wider scope audit work and that progress in the delivery of the remaining improvement actions set out in the action plan in Appendix 4 of the auditor's report would be reported to the Committee during the year.
  - 1.2.5 To agree that Place Directorate would provide a briefing note to members on the housing issues in the report.
  - 1.2.6 To agree that a report be brought back to committee to provide a progress update on the Roads Improvement Programme.
  - 1.2.7 To agree that the Governance, Risk and Best Value Committee Work Programme would be updated to include an overview report on Housing and Health and Social Care, covering outstanding audit issues, governance structures and direction of travel.

## For Decision/Action

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- 2.1 The Finance and Resources Committee is asked to approve the audited Annual Accounts for 2017/18 and refer the report to Council for noting.

## Background reading / external references

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[Webcast of Governance, Risk and Best Value Committee – 25 October 2018](#)

### Laurence Rockey

Head of Strategy and Insight

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## Links

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### Appendices

Appendix 1 – City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit – report by the Executive Director of Resources

# Governance, Risk and Best Value Committee

10am, Tuesday, 25 September 2018

## City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit

Item number

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Wards

Council Commitments

### Executive Summary

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The report summarises the principal findings arising from the Council's 2017/18 external audit. While primarily focused on the review of the financial statements, the wider scope aspects of the audit include consideration of the Council's financial management, financial sustainability, governance and transparency and arrangements to secure and demonstrate value for money.

The proposed audit certificate provides an unqualified audit opinion on the financial statements and other prescribed matters but the accompanying report notes the failure of the Council's remaining Significant Trading Operation (STO) to break even over a rolling three-year period.

The report concludes that the Council has a well-developed and responsive medium-term revenue funding framework and appropriate arrangements in place for managing its financial position. In common with other councils, the projected savings requirement over the next four years nonetheless remains challenging and will require development of robust savings proposals and a focus on strategic priorities.

The report further concludes that appropriate governance arrangements are in place, with effective scrutiny by elected members. There is a continuing need, however, to ensure co-ordinated partnership working and monitoring of outcomes to deliver the Council's vision. In addition, in some areas, particularly health and social care, performance remains poor and a step change is required to deliver necessary improvements.

# Report

## City of Edinburgh Council – 2017/18 Annual Audit Report to the Council and the Controller of Audit

### 1. Recommendations

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- 1.1 Members are asked to:
- 1.1.1 note that, following the audit process, it is anticipated that an unqualified audit opinion will be issued on the Council's Annual Accounts for 2017/18;
  - 1.1.2 refer the audited Annual Accounts for 2017/18 to the Finance and Resources Committee for approval and thereafter to Council for noting;
  - 1.1.3 note that, following approval by the Finance and Resources Committee, the audited Annual Accounts will be signed and submitted to the external auditor; and
  - 1.1.4 note the areas of strength identified within the wider scope audit work and that progress in the delivery of the remaining improvement actions set out in the action plan in Appendix 4 of the auditor's report will be reported to the Committee during the year.

### 2. Background

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- 2.1 The Council submitted its unaudited Annual Accounts to the external auditor by the required date of 30 June.
- 2.2 The review of all matters relating to external audit forms part of the remit of the Governance, Risk and Best Value Committee and is an important aspect of the overall governance arrangements of the Council. The external auditor will attend the Governance, Risk and Best Value Committee meeting to provide an overview of the accompanying report and respond to specific queries members may have on its content. Given the Committee's scrutiny function, however, approval of the annual accounts will be secured by onward referral to the Finance and Resources Committee meeting taking place on 27 September. The external auditor will also attend the Finance and Resources Committee meeting.



- 2.3 In discharging its work, the external auditor is required to comply with Audit Scotland's revised Code of Audit Practice and ISA260: Communications with those charged with governance. As part of the standard, the auditor is required to highlight:
- Relationships that may bear on the independence, integrity and objectivity of the appointed auditor and audit staff;
  - The overall scope and approach to the audit, including any expected limitations, or additional requirements;
  - Expected modifications to the audit report;
  - Management representations requested by him/her;
  - Unadjusted misstatements other than those that are clearly trivial;
  - Material weaknesses in internal control identified during the audit;
  - Qualitative aspects of accounting practice and financial reporting, including accounting policies; and
  - Matters specifically required by auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.

### 3. Main report

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- 3.1 There are no qualifications to the proposed audit certificate. As in previous years, however, the audit opinion includes an explanatory paragraph in respect of the Council's remaining significant trading organisation (STO). The Edinburgh Catering Services – Other Catering STO failed, over the three-year rolling period to 2017/18, to meet the statutory requirement to break even, although in-year financial performance in 2017/18 showed an improvement on the preceding years.
- 3.2 As part of the audit work, two material adjustments were incorporated within the unaudited accounts in respect of (i) property, plant and equipment valuation and (ii) movements between the respective net pension liabilities in January and March 2018. Neither adjustment, however, has an impact on the Council's reported outturn for the year which remains an overall underspend of £2.416m. While no further amendments are anticipated, as of the time of writing, the accounts remain to be finalised and members will therefore be advised of any further material changes at the Committee's meeting.

- 3.3 As with the equivalent report for 2016/17, the audit reflects the revised approach to best value agreed by the Accounts Commission in June 2016. This “wider scope” audit comprises four elements:
- Financial management;
  - Financial sustainability;
  - Governance and transparency; and
  - Value for money.
- 3.4 The key messages from the audit are presented on page 1 of the Scott-Moncrieff report, with a number of action points for the Council to address in the coming months also noted. These, together with the management responses provided by the Council (including assigned responsibility and associated timescale for implementation), are shown on pages 54 to 61. The report also summarises on pages 62 to 69 the good progress made in implementing the recommendations contained in last year’s report.

**Annual accounts (pages 6 to 19)**

- 3.5 An unqualified opinion has been given on the financial statements and other prescribed matters, albeit the report notes that the Edinburgh Catering Services – Other Catering STO failed to meet the statutory requirement to break even over a rolling three-year period. The in-year deficit for 2017/18 was £42,000, forming part of a cumulative three-year deficit of £465,000. The external auditor’s report notes the in-year reporting to the Governance, Risk and Best Value Committee on measures being taken to return the service to overall profitability, alongside consideration of alternative delivery models.
- 3.6 The report notes that working papers received to accompany the financial statements were of a good standard, with the results of the Council’s group bodies also appropriately reflected within the financial statements and no instances of concern with regard to the legality of transactions or events identified.
- 3.7 Progress in reviewing the contents of the Council’s Common Good register is set out, along with recommendations on updating, where appropriate, subsequent years’ valuation of the assets held by the fund in accordance with the outcome of this review. Additional detail on in-year income and expenditure pertaining to these assets is also recommended for inclusion in the annual accounts.
- 3.8 The report also appraises members, in paragraph 86, of the outcome of three objections received in respect of the annual accounts. One of these objections was received outside the statutory period, with the others not upheld following the respective scheduled hearings. The external audit also confirmed that the Council’s accounting treatment of Lender Option, Borrower Option (LOBO) loans was appropriate.

### **Financial management (pages 20 to 27)**

- 3.9 The report notes that the Council has appropriate arrangements in place for managing its financial position, with the 2017/18 outturn being the eleventh successive year in which expenditure has been maintained within approved levels. In addition, overall reserve levels, taking into account sums earmarked for specific purposes, are assessed to be adequate based upon the risks the Council faces.
- 3.10 Paragraphs 124 to 138 set out the findings of an initial review of the options appraisal process and financial model used to inform consideration of the extension of the existing tram system from York Place to Newhaven. The report recommends that a high-level assessment be undertaken to validate the earlier Line One options appraisal prior to the taking of any decision on the proposed extension.
- 3.11 The external auditor's report also concludes that the Council's system of internal financial control is well-designed and that the arrangements with regard to the detection of fraud and irregularity are sufficient and appropriate, with active participation in the most recent National Fraud Initiative.

### **Financial sustainability (pages 28 to 31)**

- 3.12 The report assesses that the Council has a well-developed and responsive medium-term revenue funding framework and appropriate arrangements in place to manage its financial position. In common with other councils, however, the projected savings requirement over the next four years nonetheless remains challenging and will require development of robust savings proposals and a focus on strategic priorities.

### **Governance and transparency (pages 32 to 40)**

- 3.13 The report further concludes that appropriate governance arrangements are in place, with effective scrutiny by elected members. Members may be particularly interested in the assessment of the effectiveness of the Governance, Risk and Best Value Committee on pages 34 and 35. While this assessment is largely favourable, it is recommended that future years' annual assurance statements be scrutinised by the Committee prior to inclusion in the Annual Accounts and this, alongside streamlining of the existing Corporate Governance Framework, will be undertaken for the 2018/19 reporting cycle.
- 3.14 The Council is assessed to be open and transparent in affording physical and on-line access to Committee and Council meetings. Some room for improvement is highlighted, however, with regard to maintaining up-to-date registers of interest by some elected members. There is also a continuing need to ensure co-ordinated partnership working and public monitoring and reporting of jointly-agreed outcomes is in place to deliver the Council's vision.
- 3.15 Paragraphs 189 to 194 remind members of progress in addressing the main recommendations contained within the CGI information security audit. A further follow-up on these outstanding actions will be reported to the Committee in the coming year.

## **Value for money (pages 41 to 46)**

- 3.16 The report notes the development of a robust performance framework to measure progress against the aims and outcomes set out within the Council's 2017-22 Business Plan, allowing members to provide appropriate scrutiny in delivery of these aims and outcomes.
- 3.17 While necessarily based on 2016/17 Scotland-wide data, paragraphs 219 and 220 highlight a continuing decline in comparative performance against Scotland's other local authorities as captured by the Local Government Benchmarking Framework. Of particular concern is performance across a number of Health and Social Care indicators, with persistent high levels of delayed discharge and numbers of those awaiting assessment, and an acknowledged step change in performance required. Regular updates in respect of necessary transformation of services will continue to be reported to the Edinburgh Integration Joint Board, Finance and Resources and Governance, Risk and Best Value Committees.
- 3.18 The report notes, however, that the Council demonstrates good self-awareness of areas where action is required, with recent improvement apparent within the waste service and a refreshed plan now in place for building standards.

## **4. Measures of success**

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- 4.1 The Council receives an unqualified audit certificate from the external auditor by 30 September 2018.
- 4.2 Agreed measures are implemented to address any actions identified within the Annual Audit Report in accordance with the timescales indicated.

## **5. Financial impact**

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- 5.1 There is no direct additional impact arising from the report's contents, although the on-going effectiveness of the Council's current financial management and planning arrangements has been noted.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.
- 6.2 The Council's arrangements for risk management, fraud prevention and internal control, as well as its wider governance framework, have been assessed to operate effectively.

## 7. Equalities impact

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7.1 There is no direct relevance of equalities and rights issues to the report's contents.

## 8. Sustainability impact

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8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

## 9. Consultation and engagement

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9.1 The financial statements were made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received a number of requests for further information under these Regulations during this period.

9.2 In addition, three objections were received in respect of the annual accounts. One of these was received outside the statutory period, with the others not upheld following the respective scheduled hearings.

## 10. Background reading/external references

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[Unaudited Annual Accounts 2017/18](#), City of Edinburgh Council, 28 June 2018

[City of Edinburgh Council External Audit Plan 2017/18](#), Governance, Risk and Best Value Committee, 20 March 2018

**Andrew Kerr**

Chief Executive

**Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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Appendix 1 – 2017/18 Annual Audit Report to the Council and the Controller of Audit

Appendix 2 – 2017/18 Audited Annual Accounts



Scott-Moncrieff  
business advisers and accountants

# City of Edinburgh Council

2017/18 Annual Audit Report to the Council and  
the Controller of Audit





September 2018

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# Key messages

<p><b>Annual accounts</b></p>	<p>The annual accounts for the year ended 31 March 2018 are due to be approved by the Finance and Resources Committee on 27 September 2018. We intend to report within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters.</p> <p>We have, however, drawn attention in our independent auditor's report to the fact that the council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over the three- year period to 2017/18. While this is a failure to comply with the Local Government in Scotland Act 2003, it does not affect our overall opinion on the financial statements. There are no other matters that we have to report to you by exception.</p> <p>Two material audit adjustments were made to the unaudited annual accounts in respect of property, plant and equipment and the net pension liability.</p> <p>The annual accounts and supporting schedules were of a good standard. Our thanks go to staff at the council for their assistance with our work.</p>
<p> <b>Financial Sustainability</b></p>	<p>The council has a well-developed and responsive Medium-Term Revenue Funding Framework. Changes to assumptions in relation to grant funding have resulted in the projected savings gap falling to £106million by 2022-23. The achievement of the projected savings requirement still presents a significant financial challenge particularly in the context of delivery of savings in the current year.</p> <p>The council is developing a Change Strategy to ensure that the approach to delivering savings is well governed and maintains focus on strategic priorities.</p>
<p> <b>Financial Management</b></p>	<p>The council has appropriate arrangements in place for managing its financial position. The council has been able to deliver services within budget for the eleventh successive year, despite delivering on 80% of approved savings. Around 91% of the general fund capital programme and 93% of the HRA programme was delivered in 2017/18.</p> <p>Our initial findings in relation to the proposed tram extension project are included in this report.</p>
<p> <b>Governance &amp; Transparency</b></p>	<p>The council has appropriate governance arrangements in place and scrutiny arrangements appear to be effective. Partnership working is key to the council's delivery of its vision and arrangements for locality planning continue to develop. The council must ensure that it continues to monitor progress against outcomes.</p> <p>Our work to follow up the progress that has been made in relation to CGI's ICT arrangements highlights that some areas have been addressed but, at the time of our audit in April 2018, five high risk rated actions remained to be completed.</p>
<p> <b>Value for Money</b></p>	<p>The council has developed a robust Performance Framework to monitor progress against the Business Plan 2017-22. We found evidence that elected members provide robust scrutiny and challenge to reported performance outcomes.</p> <p>The council demonstrates good self-awareness, particularly around areas that require improvement. However, interventions to secure improvement have not always been effective, particularly in roads and building standards.</p> <p>Performance and improvement in health and social care has been poor and requires a significant step up in the pace of change.</p>

## Conclusion

This report concludes our audit for 2017/18. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

**Scott-Moncrieff  
September 2018**

# 1

## Introduction

This report is presented to those charged with governance and the Controller of Audit and concludes our audit of the City of Edinburgh Council for 2017/18.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

At the City of Edinburgh Council, we have designated the Governance, Risk and Best Value Committee as "those charged with governance".

# Introduction

1. This report summarises the findings from our 2017/18 audit of the City of Edinburgh Council (“the council”).
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Governance, Risk and Best Value Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2017/18 annual accounts, for both the council and its group and the charitable trusts, and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
  - an assessment of the arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;
  - provision of opinions on a number of grant claims and returns;
  - providing existing evidence and intelligence for, and participating in, shared risk assessment (SRA) processes leading to the preparation of a local scrutiny plan for the council;
  - audit and report on Best Value and the Strategic Audit Priorities (refer to Appendices 2 and 3) and;
  - Monitoring the council’s participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.

## Exhibit 1: Audit Dimensions within the Code of Audit Practice



Source: Audit Scotland Code of Audit Practice, May 2016

3. The council is responsible for preparing an annual report and accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. The report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help the council

assess their significance and prioritise the actions required.

5. We discussed and agreed the content of this report with council management. We would like to thank all management and staff for their co-operation and assistance during our audit.

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence. Our assessment includes consideration of:
  - Provision of non-audit services to the council's group components; and
  - Relationships between Scott-Moncrieff and the council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

## Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.
10. As part of our 2017/18 audit we added value to the council and Audit Scotland in a range of ways:

### Regular contact with the council

11. We invest senior time to ensure that we keep up to date with significant issues and share that knowledge across our team. Examples include:

- Our Engagement Partner and Director hold quarterly meetings with the Chief Executive and the Executive Director of Resources;
- We hold regular catch ups with the Head of Finance (Section 95 Officer);
- We hold regular catch ups with the council's Strategy and Insight Team; and
- We meet with the Chief Internal Auditor on a regular basis.
- We hold discussions with the council's finance team, in advance of the preparation of the annual accounts, to consider the applicable accounting treatment of balances and transactions. In 2017/18 this included group accounting, treatment of inverse Lender Option Borrower Option Loans (LOBOs) and PPP.
- We held a debrief session with the council's finance team following the completion of the 2016/17 audit to capture areas for improvement to the audit process. We intend to continue with these meetings at the conclusion of each annual audit cycle.

### Training and development

- We supported the council Finance Team to deliver training on understanding the financial statements by providing training materials and examples of scrutiny questions for elected members.

### Providing assurance to the council and Audit Scotland

- We met the deadlines set out in Audit Scotland's annual planning guidance in respect of the delivery of audit plans, independent auditor reports and annual reports.
- The council has experienced a number of difficulties in the delivery of ICT services by its partner CGI. During our 2016/17 audit we used specialist ICT auditors to conduct reviews of security management. Our findings have provided the council with leverage to hold senior partners from CGI to account for the service provision.
- In 2017/18, we received three letters citing objections to the annual accounts. One

objection was received outwith the prescribed period. In relation to the other two, hearings have been held/scheduled with regard to the points raised.

## Feedback

12. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey:  
[www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX)
13. While this report is addressed to the council, it will be published on Audit Scotland's website  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# 2

## Annual accounts

The council's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2017/18 annual accounts.

# Annual accounts

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## An unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2018 are due to be approved for signature by the Finance and Resources Committee on 27 September 2018. We plan to report within our independent auditor's report:

- An unqualified opinion on the annual accounts; and
- An unqualified opinion on other prescribed matters.

We have drawn attention to the fact that the council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over the three year period to 2017/18. We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to staff at City of Edinburgh Council for their assistance with our work.

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## Overall conclusion

### An unqualified audit opinion on the annual accounts

14. The annual accounts for the year ended 31 March 2018 are due to be considered by the Governance, Risk and Best Value Committee on 25 September 2018 and approved by the Finance and Resources Committee on 27 September 2018. We intend to report within our independent auditor's report:
- An unqualified opinion on the annual accounts; and
  - An unqualified opinion on other prescribed matters.
15. We have drawn attention in our audit report to the fact that the council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over a three year period (paragraph 29). While this is a failure to comply with the Local Government in Scotland Act 2003, it does not affect the overall opinion on the financial statements.

### Good administrative processes were in place

16. We received unaudited annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to staff at the council for their assistance with our work.

## Our assessment of risks of material misstatement

17. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 2.

## Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

*Excerpt from the 2017/18 External Audit Plan*

- 18. We have not identified any indication of management override in the year. We have reviewed the council's accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.
- 19. During our prior year audit, we noted that there was a lack of segregation of duties in respect of the posting of journals. While we acknowledged that compensating controls were in place, including, for example, control account reconciliations and the preparation and presentation of financial monitoring reports to the council we recommended that arrangements were put in place to review and authorise year-end journals. We noted during our 2017/18 audit that processes are in place to review and authorise year-end journals.
- 20. The council provides financial ledger services to a number of organisations. We noted during our audit that any member of the council finance team with ledger access could post entries to those organisations' financial ledgers even though they have no interaction with those organisations. While we understand that those organisations will have their own controls in place to monitor for any unusual transactions, we would encourage the council to review the user access controls.

*Action plan point 1*

### 2. Revenue recognition

Under ISA (UK) 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the council could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

*Excerpt from the 2017/18 External Audit Plan*

- 21. While we did not suspect incidences of material fraud and error, we evaluated each type of revenue transaction and documented our conclusions. We have reviewed the controls in place over revenue accounting and found them to be sufficient. We have evaluated key revenue transactions and streams, and carried out testing to confirm that the council's revenue recognition policy is appropriate and has been applied reasonably.



## Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “The Audit of Public Sector Financial Statements” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

*Excerpt from the 2017/18 External Audit Plan*

22. We have evaluated each type of expenditure transaction and documented our conclusions. We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the annual accounts. To inform our conclusion we carried out testing to confirm that the council's policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

### 4. Property, plant and equipment

The council's approved general fund capital budget for 2017/18 is £172million. As at period 9, the council was reporting a projected outturn of £140million. The housing revenue account capital budget for 2017/18 is £78million. As at period 9, the council was reporting a projected outturn of £69million.

The council carries out a rolling programme of revaluations that ensures all property, plant and equipment required to be measured at fair value is revalued at least every five years.

In January 2018, a paper was presented to the council's Finance and Resources Committee on the condition of its building estate. The report noted that, based on a snapshot of the condition of the operational estate (September 2017), there is a requirement to spend £153million over the next five years to address the backlog maintenance. The results of this survey could be used as part of management's assessment of impairment of the operational estate.

*Excerpt from the 2017/18 External Audit Plan*

#### Additions

23. During 2017/18, the council reported total capital additions of £223million; of which £150million were general fund additions and £73million were housing revenue account (HRA) additions. We carried out testing on material additions and concluded that those additions had been accounted for in the annual accounts in accordance with the council's accounting policy and the applicable accounting standards.

#### Valuations

24. We reviewed the council's valuation process and noted the following:
- Valuations are generally carried out by internal valuers. For the valuation process in 2017/18 however, the council's internal valuers commissioned Rydens to carry out some of the valuations. We considered the instructions and information provided to the valuer, along with the instructions provided to the external valuer, and performed procedures to confirm the accuracy and completeness of the information. From our review of the instructions provided to the valuer and assessment of the expertise of the valuer, we are satisfied that we can rely on this work.
  - We did however note that while the council's operational estates manager (the

## Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

appointed internal valuer responsible for the overall direction of the valuation process), receives instructions from the council, these are not disseminated to individual valuers who carry out the valuations.

- All property, plant and equipment required to be carried at fair value were included in the five year rolling programme and had been revalued within this time period.
- Valuations are usually carried out as at 31 March. There is however no requirement for valuations to be carried out at this date and authorities may use 1 April subject to the standard condition that the carrying amount at the end of the year does not differ materially from the current value at that date. For 2017/18, the council valuations were prepared as at 1 April 2017. The valuer has provided us with assurance that the carrying amount of these assets as at 31 March 2018 does not materially differ from the date of valuation.
- We confirmed that the basis of valuation for assets valued in year is appropriate based on their usage. We reviewed valuation movements against indices of price movements for similar classes of assets and investigated any valuation movements that appeared unusual against this. Overall the valuation movements were in line with our expectation.
- We reviewed the reasonableness of the valuation assumptions applied, as they relate to land and buildings, council dwellings and investment properties. Based on the audit work performed we concluded that the valuations are reasonable.
- A £27million adjustment has however been made to the valuation of property, plant and equipment in the audited annual accounts. From our audit testing we identified differences between the valuations provided by the valuer and as recorded on the estates register and those which were recorded in the council's asset register (used in the preparation of the annual accounts). We recommend that reconciliations are performed between the estates register and the council's asset register.
- The results of the valuation exercise are not formally communicated to the council. The valuer should provide two documents; a valuation report for each asset valued and an overarching valuation report. The scope and contents of the report should be agreed between the valuer and the council, but the form is governed by the RICS (Royal Institute of Chartered Surveyors) Red Book. The valuation report gives the valuer's opinion of value of the specific properties, stating what has been done and what has not been done, the basis of valuation, any assumptions which have been made, including those as to accuracy of data, and other matters referred to in the instructions.

### *Action plan point 2*

#### **Impairment**

25. As noted above and in our external audit plan, in January 2018, a paper was presented to the council's Finance and Resources Committee on the condition of its building estate. The report noted that, based on detailed condition surveys of the council's operational estate (September 2017), there is a requirement to spend £153million over the next five years both to address the backlog maintenance and move the council onto a planned preventative regime for the estate in the future.
26. As part of our audit we considered whether the council had considered these findings in the context of a potential impairment to the value of those assets as reported in the annual accounts.

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## Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

27. We noted that no assessment of impairment has been carried out in 2017/18; other than for those assets forming part of the 2017/18 valuation programme. The Code of Practice on Local Authority Accounting (the Code) requires local authorities to assess at the end of each reporting period whether there is an indication that any asset may be impaired. The condition survey of the council's operational estate is one source of evidence to indicate whether an impairment may have occurred. While no indication of material impairment was identified, we would encourage the council to formalise its procedures for assessing whether there has been an impairment of its estates portfolio.

*Action plan point 2*

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### Other risk factors

28. Further to the identification of significant audit risks (Exhibit 2), we also identified in our External Audit Plan a number of risk factors which could potentially result in a material misstatement to the annual accounts. An update on these risk factors is set out below:

#### Significant trading operations

29. Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to operate their significant trading operations so that income is not less than expenditure over each three year period. The council has failed to comply with this statutory requirement for the three year period ending 31 March 2018 in respect of its one significant trading operation; Edinburgh Catering Services – Other Catering. We have reported this matter in our independent auditor's report.
30. Despite improvements in recent years' financial performance, the council's Edinburgh Catering Services – Other Catering trading operation reported a deficit of £42,000 in 2017/18 and a cumulative three year deficit of £0.465million.
31. During 2017/18 two reports were presented to the Governance Risk and Best Value committee outlining the reasons for the underlying deficit position and actions being taken to address the profitability of the service from 2018/19 onwards. The actions focus on four key areas; financial control, workforce/HR, supplier contracts and branding/customer engagement.
32. The most recent report, presented in March 2018, also noted that in tandem with the actions being progressed, there are also opportunities

to consider alternative delivery models or service re-provision in the future, including a partnering model or franchise approach.

#### Group audit

33. The council has a complex group which requires consolidation of a range of subsidiaries, associates and joint ventures. The group structure is detailed within the council's annual accounts.
34. As part of our audit we reviewed the consolidation entries made within the group accounts and confirmed entries back to the financial statements of the group bodies. Overall we concluded that the results of the group bodies had been appropriately consolidated into the council's group accounts.
35. As part of our audit planning process we assessed the group, for the purposes of approach to the audit of the group, and deemed the following subsidiaries to be significant in the context of the group audit:
- CEC Holdings; and
  - Transport for Edinburgh
36. We revisited our assessment, following receipt of the unaudited accounts. Our assessment remained unchanged. We did not identify any further significant components in the context of our group audit.
37. Scott-Moncrieff is the appointed auditor to CEC Holdings and Transport for Edinburgh. During our audit we liaised with the audit engagement teams to confirm that their programmes of work were adequate for our purposes.

38. We have nothing to report in respect of the following matters:
- No significant deficiencies in the system of internal control or instances of fraud were identified by the component auditor; and
  - There were no limitations on the group audit.
39. As reported within our external audit plan we identified a risk factor in respect of the EDI Group which falls within CEC Holdings:
40. **Winding up of the EDI Group** - In early 2017, the council confirmed that operational activities undertaken by EDI Group would in the future be delivered through an in-house council model. The council has instructed directors of the EDI Group 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 the EDI Group have either concluded or have been transferred to the council.
41. As such, the financial statements for the EDI Group were not prepared on a going concern basis. An emphasis of matter disclosure was included within the independent auditor's report. The impact within CEC Holdings was an impairment charge recognised on the investment in the EDI Group of £3.1million. There were, however, no material uncertainties regarding the going concern status of CEC Holdings, and therefore the independent auditor's report was unqualified.
42. We have confirmed that the impairment charge on the investment has also been appropriately reflected in the council's single entity annual accounts.

#### Registers of interests

43. The council discloses within its annual accounts material transactions with related parties. These can be defined as bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.
44. The councillors' register of interests is one way that the council can identify some of its related parties. In the prior year we recommended that councillors were reminded of the importance of

ensuring the register of interests is updated on a regular basis. We have reviewed the actions taken by the council in reminding councillors of their responsibilities in respect of maintaining register of interests. Our findings are included within the governance and transparency section of this report (paragraph 172).

45. With regard to the audit of the annual accounts and the disclosure of related party transactions we identified two undisclosed related parties. These have been reflected in the audited annual accounts.

#### Common good

46. Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing assets for on-going use for the population or contributing to specific local projects/initiatives.

#### Common good asset registers

47. Part 8 of the Community Empowerment Act (Scotland) 2015 came into force on 27 June 2018. This places a statutory duty on local authorities to establish, maintain and publish a register of all property held by them for the common good. Local people must be consulted on the register, to make sure nothing has been left out. Local authorities are also required to publish their proposals and consult community bodies before disposing of or changing the use of common good assets.
48. In July 2018, the Scottish Government, following consultation in 2017, issued statutory guidance for local authorities on how they should carry out these new legal duties.
49. The guidance identifies that local authorities should *'aim to publish the first version of its common good register as soon as practicable after the initial twelve week consultation period has closed, and in any case, within six months of the end of the consultation.'*
50. The council has established a team, with staff from estates, finance and legal. The team is responsible for developing a common good asset register which will be presented for public consultation.
51. This team has prepared the first version of the common good register which is due to be

considered by the Finance and Resources Committee on 27 September 2018. The register will be presented for public consultation thereafter.

#### Common good fund annual accounts

52. The Common Good Fund stands separate from the council's annual accounts and has been described as "the ancient patrimony of the community".
53. During 2017/18, a deficit of £15,000 was reported on the common good fund. Overall useable common good funds stood at £2.387million as at 31 March 2018.
54. In 2016, the council's Finance and Resources Committee approved the use of the common good fund for planned maintenance of the common good assets. £2million was earmarked in 2015/16 (following a receipt from the sale of East Market Street Garage), to fund a maintenance programme for common good assets. Since this earmarked fund was created in 2016, £110,000 has been used on the Scott Monument and £3,000 on surveys at the City Observatory. As at 31 March 2018; £1.887million remained in this fund.
55. During our 2017/18 audit of the common good fund annual accounts we noted the following:

#### Common good fund income and expenditure

56. The unaudited common good fund comprehensive income and expenditure statement reported £24,000 in expenditure and nil income. On review of the council's working papers to support the annual accounts we noted that the council had included within its records £5.8million spend on common good (covering both revenue and capital), £2.8million in income with the difference being met by a recharge to the council in respect of use of these assets to achieve a breakeven position.
57. To ensure transparency in the operation of the common good funds, the annual accounts have been updated to reflect the transactions which had previously been included in the council's accounting records. We would encourage the council to review its relationship and use of the common good funds and put in place documented arrangements for the use and maintenance of those assets.

#### Action plan point 3

58. An objection was received in 2017/18 in respect of the common good annual accounts. This objection however was outwith the prescribed period. The objection was in relation to the recognition of income from table and chairs licences. The amounts were deemed to be below materiality and no further work has been performed in respect of the 2017/18 common good fund annual accounts.

#### Property, plant and equipment

59. Property, plant and equipment and heritage assets, as reported in the common good fund annual accounts, are recorded on an asset register ("the accounting asset register"). The accounting asset register is separate to the register being prepared to comply with the requirements of the Community Empowerment Act (Scotland) 2015 but has been used to inform the compilation of that register.
60. As part of our audit we compared the two registers and noted that there are approximately 55 assets which are not currently included in the accounting asset register and therefore the annual accounts of the common good fund. There is a further six which are potentially no longer considered to be common good assets.
61. The value of those assets thought to be common good and not included in the accounting asset register total £1.68million and represents 42 of the 55 assets identified. The value of remaining 13 assets has yet to be determined. The value of assets deemed no longer to be common good is £4,000.
62. No adjustment has been made to the 2017/18 common good fund annual accounts for these assets and the estimated value is not considered to be material. It is however anticipated that there will be an increase in the value of common good assets in 2018/19. We would recommend that the council in preparing the 2018/19 common good fund accounts reviews the accounting policies for property, plant and equipment and heritage assets to ensure that:
  - The assets are classified correctly;
  - The appropriate valuation basis has been applied; and

- Depreciation is applied dependent on the accounting policy and classification of the asset.

#### Action plan point 4

### Update to our initial risk assessment

63. Following receipt of the unaudited annual accounts we revisit our assessed initial risk assessment. We identified one further risk which is detailed below. Our opinion on the annual accounts was not modified with respect to this risk.

#### Pension liability assumptions

An actuarial estimate of the pension fund liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership date held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

64. We obtained the information provided to the actuary and agreed it to source documentation to confirm accuracy. We reviewed the assumptions used by the actuary and compared these to benchmarks across the sector.
65. We reviewed the validity of the information provided to the actuary and compared this with the actual information reported by City of Edinburgh Council and the Lothian Pension Fund. We considered the results of the actuary alongside our work across the sector and concluded there was a risk of material misstatement arising from difference between the figures relating to asset values. We therefore requested that management instruct the actuary to update its calculations based on year end results. The annual accounts have been updated to reflect these figures. As a result, the pension liability changed from a deficit of £528.359million to a deficit of £482.493million, with the movement recognised as an actuarial gain.
66. As at 31 March 2018, the pension liability showed a deficit of £482.493million, compared

to a deficit of £705.786million as at 31 March 2017.

67. Lothian Pension Fund's triennial valuation was conducted as at 31 March 2017. The triennial valuation also informs the annual actuarial valuation as at 31 March 2018. This can result in larger movements caused by other experience which is driven by the use of updated membership data.
68. The discount rate applied increased to 2.7% from 2.6% in the previous year. This has a positive effect on the scheme liabilities – resulting in a decrease in the liabilities.

### Our application of materiality

69. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
70. Our initial assessment of materiality for the group annual accounts was £19.2million and for the council single entity annual accounts £17.6million. We revised our assessment, following receipt of the unaudited annual accounts, to £20.4million for the group<sup>1</sup> and £18.7million for the council and it remained at these levels throughout our audit.
71. Our assessment of materiality is set with reference to gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the council and its group.

#### Performance materiality

72. Performance materiality is the amount set by the auditor at less than overall materiality for the annual accounts as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the annual accounts as a whole.
73. We set a performance (testing) materiality for each area of work which was based on a risk

<sup>1</sup> For the significant components, within the council group, we have allocated a materiality that is less than the overall group materiality. For CEC Holdings this was reassessed to £726,000 and for Transport for Edinburgh it remained at £3.5million.

assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

Area risk assessment	Performance materiality £million	
	Group	Council
High	9.180	8.415
Medium	11.220	10.285
Low	14.280	13.090

74. We agreed with the Governance, Risk and Best Value Committee that we would report on all material corrected misstatements, uncorrected misstatements with a value in excess of £250,000, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Governance, Risk and Best Value Committee on disclosure matters that we identified when assessing the overall presentation of the annual accounts.

### Audit differences

75. Two material adjustments were made to the unaudited annual accounts in respect of property, plant and equipment (paragraph 24) and the net pension liability (paragraph 65).
76. We did identify further adjustments to the unaudited annual accounts which have been reflected in the final set of annual accounts. While these are reflected in the audited annual accounts they were not considered material.
77. We also identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.
78. We also identified a number of potential adjustments which are not considered material to the annual accounts, either individually or in

aggregate. Both the actual adjustments and potential adjustments have been reported to the Head of Finance and are included as an appendix to the letter of representation. The letter covers a number of issues and we have requested that it be presented to us at the date of signing the annual accounts.

### An overview of the scope of our audit

79. The scope of our audit was detailed in our External Audit Plan, which was presented to the Governance, Risk and Best Value Committee in March 2018. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the council. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
80. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
81. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

### Legality

82. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. Our audit procedures included the following:
- Reviewing minutes of relevant meetings;
  - Enquiring of senior management and the council's solicitors the position in relation to litigation, claims and assessments; and
  - Performing detailed testing of transactions and balances.

83. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

### Other matters identified during our audit

84. During the course of our audit we noted the following:

#### The Local Authority Accounts (Scotland) Regulations 2014

85. As part of our audit we reviewed the council's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10<sup>2</sup> as they relate to the annual accounts. Overall we concluded that appropriate arrangements are in place to comply with these Regulations.
86. In 2017/18, three letters were received citing objections to the annual accounts. For one the objection was received outwith the prescribed period. In relation to the other two, hearings have been held/scheduled with regard to the points raised. At this time of the audit, neither objection has been upheld although certain matters will be considered in future years

#### Management commentary

87. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.
88. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the annual accounts and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

#### Annual governance statement

89. The Chief Executive and the council Leader have confirmed that in their opinion, reasonable

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<sup>2</sup> Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its group systems of governance. The Annual Governance Statement identifies a range of actions that have been, or will be, taken by the council to continue to progress improvements in the council's governance arrangements.

90. Following minor amendments processed during the audit, the governance statement discloses the rationale for internal audit's opinion and other areas of weakness during the year, such as the significant challenges the Health and Social Care Partnership faces from the level of delayed discharges. Subject to the concerns disclosed, the council considered that reasonable assurance could be placed on the effectiveness and adequacy of the systems of governance.
91. We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and that report has been prepared in accordance with the *Delivering Good Governance in Local Government: Framework 2016*.

#### Remuneration report

92. Our independent auditor's report confirms that the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

#### Charitable trust funds

93. The council administers six charitable trust funds. Over the last few years the council has rationalised the number of charitable trusts down from over 100 to six, with the Usher Hall Conservation Trust wound up in 2017/18 and further plans in place to wind up the Boyd Anderson Trust in 2018/19.
94. The total charitable trust fund balance as at 31 March 2018 amounts to £14.669million, a reduction of £2,000 in comparison with the prior year.
95. The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The council's charitable trust funds are covered by the



requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit.

- 96.** We have audited the council's 2017/18 charitable trust funds. Our findings from our audit have been separately reported to the Trustees. In summary we reported the following:
- We have provided an unqualified audit opinion on the charitable trust funds annual accounts;
  - The council has complied with the Local Authority Accounts (Scotland) Regulations 2014 as they relate to its charitable trust funds;
  - We did not identify any significant weaknesses over the accounting systems and internal controls associated with the charitable trust funds. We have however identified some areas with scope for improvement which have been included in a separate management report to the Trustees of the charitable trust funds.

#### Lender Option Borrower Option (LOBO) loan debts

- 97.** A number of objections have been received nationally regarding Inverse LOBOs<sup>3</sup>. The specific objections raised in regard to the accounting treatment of these loans were;
- Many were on balance sheet at their nominal value (rather than amortised cost); and
  - The embedded derivative had not been separated out.
- 98.** The council has a total of four inverse LOBO contracts totalling £40million taken out between February 2010 and February 2011.
- 99.** In order to confirm that these objections were not also applicable to the council we consulted the Code of Practice on Local Authority Accounting (the Code), relevant accounting

standards, re-examined the inverse LOBO contracts and made relevant enquires of management.

- 100.** Following appropriate audit work and consideration of all relevant sources of guidance referenced within this paper, we reached the following conclusions:
- There are no embedded derivatives within the loan contracts which require separation;
  - An EIR calculation should be performed to enable accurate disclosure at amortised cost. We confirmed during our audit that this has been reflected in the 2017/18 annual accounts.

#### Looking forward – IFRS 16 Leases

- 101.** The Local Authority Accounting Code Board (CIPFA/LASAAC) has issued a consultation on the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 in respect of IFRS 16 Leases.
- 102.** IFRS 16 Leases will lead to a substantial change in accounting practice for lessees where the current distinction between operating and finance leases will be removed. Instead, it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to pay for that right.
- 103.** There are new requirements for measurement of the lease liability where it will initially be measured at the present value of the lease payments payable over the lease term but may rise to reflect any reassessment or lease modifications, or revised in-substance fixed lease payments.
- 104.** Council finance staff have attended a number of recent events at which the anticipated changes impacts resulting from adoption of the standard have been discussed. Consideration of the readiness assessment questionnaire accompanying the CIPFA/LASAAC consultation has also highlighted a number of areas where further action is required. With this in mind, upon conclusion of the audit, a working group comprising staff from Finance, Procurement,

<sup>3</sup> Lender option borrower option (LOBO) is a long-term borrowing instrument. They involve periodic interest re-fixings, which incorporate two linked options lender's option:

- option for the lender to set revised interest rates at predetermined interest reset dates such as annually.
- borrower's option: linked option for the borrower (exercisable only if the lender's option is exercised) to pay the revised interest rate or to redeem the bond although that may involve exit fees.

Estates, Fleet Management and representatives from other relevant areas will be established with a view to capturing all in-scope lease arrangements and the associated detail required to reflect the requirements of IFRS16 implementation.

## Qualitative aspects of accounting practices and financial reporting

105. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the council.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Significant estimates have been made in relation to property, plant and equipment and pension liabilities. Subject to commentary above, we consider the estimates made, and the related disclosures, to be appropriate to the council. We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the expert is appropriate.
The appropriateness of the going concern assumption	We have reviewed the financial forecasts for 2018/19. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the council will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the accounts.

Qualitative aspect considered	Audit conclusion
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.

3

# Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

# Financial management



The council has appropriate arrangements in place for managing its financial position. The council has been able to deliver services within budget for the eleventh successive year, despite delivering on 80% of approved savings.

Around 91% of the general fund capital programme and 93% of the HRA programme was delivered in 2017/18.

## Financial performance

**106.** The 2017/18 Comprehensive Income and Expenditure Statement shows that the council spent a total of £1.861 billion on the provision of public services resulting in an accounting deficit of £60.589 million. The accounting deficit, however, includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting (the Code), and which are

subsequently adjusted to show their impact on statutory council reserves.

**107.** The key measure of performance in the year is the movement in the council's general fund balance. Following the required adjustments the net impact on the general fund is an increase of £8.674 million to £151.285 million. In total the cash backed (useable) reserves held by the council increased by £9.058 million in the year to £277.762 million.

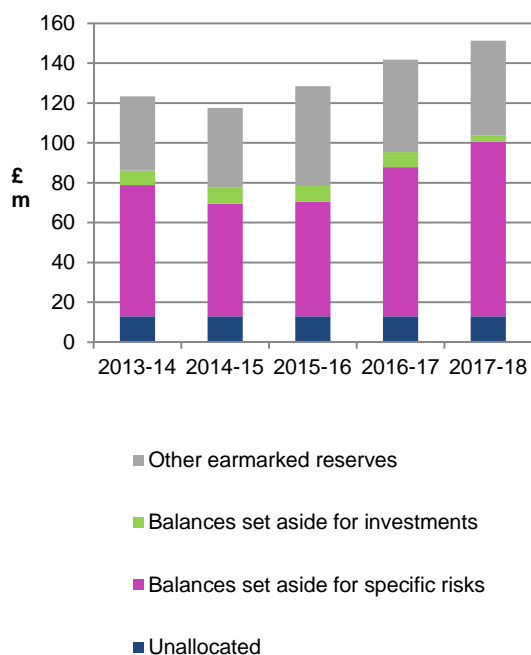
**Exhibit 3: Movement in the council's useable reserves per the Annual Accounts 2017/18**

	2017/18 £million	2016/17 £million	Movement £million
General Fund	151.285	142.611	8.674
Housing Revenue Account (paragraph 113)	0	0	0
Renewal and Repairs Fund	58.123	64.149	(6.026)
Capital Fund	63.558	61.178	2.380
Capital Grants Unapplied Account	4.796	0.766	4.030
<b>Total useable reserves</b>	<b>277.762</b>	<b>268.704</b>	<b>9.058</b>

**108.** In 2017/18 £138.260 million of the general fund balance was earmarked with the remainder representing an unallocated general fund of £13.025 million (Exhibit 4). This balance is in line with the medium-term strategy of the council. The unallocated general fund 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. This is lower than normal practice for

Scottish local authorities, but is mitigated by the earmarked balances for specific risks, and for areas of investment, including the Council Priorities Fund.

**Exhibit 4: The council's General Fund balance increased in 2017/18**



Source: Annual Accounts 2014/15 to 2017/18

**109.** Amounts are earmarked for a number of reasons:

- Balances set aside for specific financial risks (£87.435million) – includes, for example, staff release costs, dilapidations and the insurance fund.
- Balances set aside from income received in advance (£41.718million) – includes grant income where there are timing differences between the receipt of grant income and associated planned expenditure.
- Balances set aside for investment in specific projects (£3.349million) – these will deliver savings in future years, such as Spend to Save.
- Balances held under the School Board Delegation Scheme (DSM) and Pupil Equity Fund (PEF) (£5.758million).

**Usable reserves**

**110.** The level of usable reserves available is one of the measures used to assess the financial strength and sustainability of councils. Councils hold reserves to manage risks and make

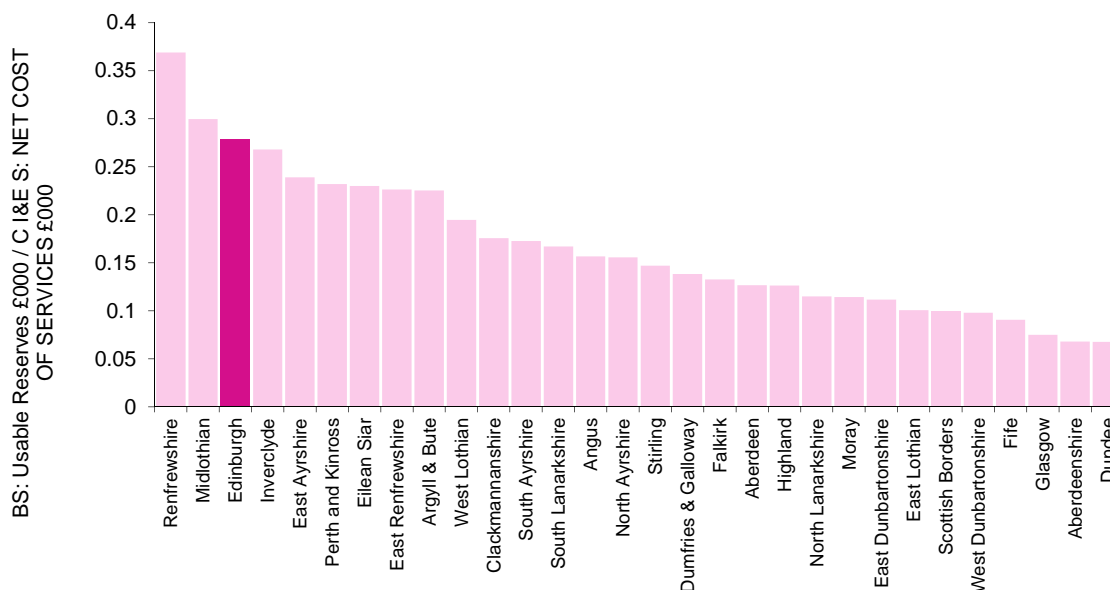
provisions for future spending.

**111.** We note that the council's level of usable reserves is above the mean of other local authorities in Scotland and supports our view that the council has adequate financial management arrangements in place. This is, however, offset by the relatively low level of uncommitted reserves which creates a higher risk that the council may not be able to respond effectively if faced with a significant adverse event.(Exhibit 5).

**112.** Other usable reserves include the Renewal and Repairs Fund and Housing Revenue Account (HRA). The HRA is the statutory fund used to record all income and expenditure for the management of, and investment in, council homes. Under statute, all expenditure on homes let by the council is funded through the rent and related service charges paid by its tenants.

**113.** The balance on the HRA is nil. In 2017/18 a net contribution of £9.042million was made from the Renewal and Repairs Fund to the HRA to support the investment in new affordable homes through the 21<sup>st</sup> Century Homes programme.

## Exhibit 5: Councils' useable reserves as a proportion of the net cost of services



Source: Audit Scotland database compiled from draft Annual Accounts 2017/18. Note that Shetland and Orkney Islands councils have been omitted from the comparison as their level of reserves may distort the assessment.

## Revenue performance against budget

- 114.** On 9 February 2017, the council set a 2017/18 balanced revenue budget of £957.910million. A revised Local Government Finance Settlement was issued on 2 February 2017. This announcement reflected the provision of £130million of one-off revenue, and £30million of capital resources across Scotland, with the City of Edinburgh Council's allocations being £9.998million and £2.278million respectively. Given the timing on the revised settlement announcement, these sums were allocated to broad themes within the budget motion.
- 115.** Throughout the year updates are made to the revenue budget to reflect, for example, additional funding received, increases in council tax income, one-off contributions from earmarked funds and savings in loan charges. As at 31 March 2018; the revised, balanced budget, was £973.876million.
- 116.** The council reported a net underspend against its revised balanced revenue budget of £2.416million, equating to 0.24% of the council's net expenditure. The council has been able to deliver services within budget for the eleventh successive year. There was a net overspend reported within general fund services of £26,000 (Exhibit 6).
- 117.** As reported to the Finance and Resources Committee on 7 November 2017, in view of significant demand-led pressures apparent within both Health and Social Care and Safer and Stronger Communities during the year, £10.6million of additional funding was made available to these areas. In order to maintain overall expenditure within approved levels, however, offsetting savings, comprising a combination of assumed underspends in other service areas (£2.828million), reductions in loans charge expenditure (£1million), additional Council Tax income (£2.714million) and a number of one-off contributions from reserves (£4.058million) were identified.

118. As highlighted in Exhibit 6, two general fund services exceeded budgets during the year:
119. **Communities and Families:** during the year, those services projecting a balanced or underspend position were requested to identify additional savings opportunities to offset pressures in Health and Social Care and Safer and Stronger Communities, with Communities and Families' share of these additional savings being £1m. Increasing underlying pressures across a number of areas of activity during the remainder of the financial year meant that a small underspend was achieved against the core service budget but with the additional savings requirement not met. As such, the overall year-end position showed a £0.987million overspend against the revised budget.
120. **Health and Social Care** - in light of significant demand-led pressures and non-delivery of £6.03million of planned transformational-related purchased savings, £7.1million of additional funding was made available to support the service during the year.

### Savings Programme

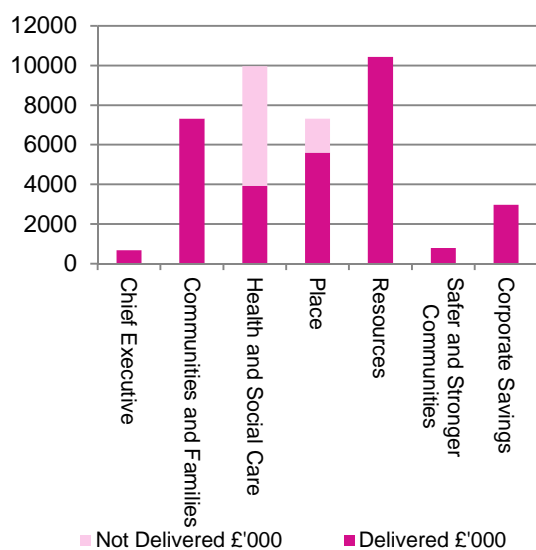
121. The balanced budget was predicated on the delivery of £39.5million of service specific and corporate savings.
122. The final outturn position for 2017/18 indicates that 80% of approved savings by value were delivered, with those not achieved primarily attributable to slippage in transformation- and demand management-linked savings within Health and Social Care. A number of savings within the Place Management Division of the Place Directorate were, as anticipated, not delivered during the year pending implementation of medium-terms plans geared towards securing financial sustainability in these areas.

**Exhibit 6: Extract from the 2017/18 Outturn Statement**

Service	Budget £million	Actual £million	Variance £million
Services reporting to the Chief Executive	11.020	11.019	(0.001)
Communities and Families	341.953	342.940	0.987
Health and Social Care	192.910	193.273	0.363
Place	70.449	70.447	(0.002)
Resources	171.202	170.304	(0.898)
Safer and Stronger Communities	31.306	30.470	(0.836)
Lothian Valuation JB	3.741	3.629	(0.112)
<b>GF Services</b>	<b>822.581</b>	<b>822.082</b>	<b>(0.499)</b>
Other non-service specific costs	18.516	19.604	1.088
Net cost of benefits	(0.062)	(0.625)	(0.563)
<b>Total</b>	<b>841.035</b>	<b>841.061</b>	<b>0.026</b>



**Exhibit 7: The council achieved 80% of its approved savings in 2017/18**

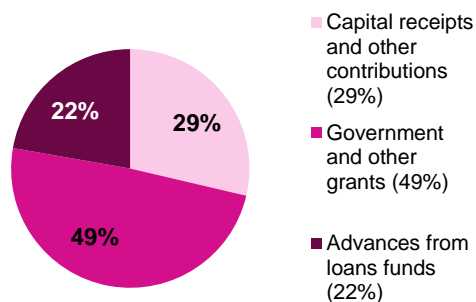


Source: 2017/18 Outturn Report

**Capital Expenditure**

123. During 2017/18, the council reported total capital additions of £223million; of which £150million were general fund additions and £73million were housing revenue account (HRA) additions. In so doing the council delivered on 91% of the revised general fund capital programme and 93% of the HRA revised capital programme. This was funded as shown in Exhibit 8.

**Exhibit 8: Sources of Capital Funding**



Source: Capital outturn report 2017/18

**Edinburgh Trams extension**

124. In November 2015, the council approved in principle Stage 1 plans to extend the Edinburgh tram line from York Place to Newhaven. An Outline Business Case (OBC) was presented to the council in December 2015 and a high level governance structure was agreed in order to progress Stage 1 activities. This included mobilisation of internal resource, commencement of the procurement process for internal support, site investigation and waiving the Contract Standing Orders to retain the existing tram senior advisor.

125. As set out in our 2017/18 External Audit Plan, we are undertaking work in conjunction with the council's internal auditors to review the tram extension project. The scope of our review was considered by the Tram Extension and Leith Programme Board in August 2018. The key areas included within the scope are:

- Options appraisal process;
- Financial model;
- Project business case;
- Project governance;
- Procurement process and supplier management; and
- Lessons learned.

126. Our work has focused on the options appraisal process and the financial model, while internal audit are considering the project business case, governance arrangements, procurement processes and lessons learned.

**Options appraisal process**

127. We have considered whether the council has completed a detailed options appraisal. It is best practice to consider a wide range of options at the planning stage, assessing them against a range of financial and non-financial criteria, including value for money.

128. In June 2015, a draft Outline Business Case was presented to council for approval. This considered four potential route options, with further information on these options presented to the council in November 2015. The benefit to cost ratio was calculated for each of the four options, and the council considered the wider benefits derived and strategic objectives met through extending the tram line. This work was

subsequently updated in the Outline Business Case, approved by Council.

129. In November 2015 the council approved in principle the selection of option 1 (extension to Newhaven) as its preferred route.
130. Action has been taken to economically appraise the four potential route options. This appraisal has not looked at alternative transport modes to the tram extension. The council has confirmed that the pre-appraisal and appraisal was carried out between 2001 and 2006 resulting in the Edinburgh Tram (Line One) and Edinburgh Tram (Line Two) Acts 2006. This legislation provides the council with the necessary powers to construct the network assessed in the various studies, including planning permission. The option appraisal and the Environmental Impact Assessments were used to support the application for the legislation. Whilst we acknowledge this position we consider that to comply with best practice, the council should reconsider the option appraisal undertaken in support of the Bill in light of the current circumstances. We recommend that this appraisal should be undertaken as part of the final business case being presented to Council.

#### *Action plan point 5*

131. In September 2017, following a referral from the Transport and Environment Committee, the council approved the commencement of Stage 2 activities for the project and an updated (OBC) was presented. Stage 2 is the procurement phase and takes approximately twelve months. This will incorporate public consultation and outline initial designs. The council aims to complete tender evaluations by September 2018. Subject to Council approval, the main construction contract is intended to be awarded to the preferred bidder and approval granted to start Stage 3 by December 2018.

#### **Financial model**

132. The outline business case for the York Place to Newhaven extension which was presented to council in November 2017 outlined the financial case for the project to go ahead. This focused on the evaluation of the affordability of the project.
133. The capital cost of the project, including risk and inflation, is estimated to be £165.2million. In the short to medium term, an estimated

funding gap of £1million exists after utilising £20million of assured extraordinary dividend from Lothian Buses. In the longer term, the council expects the extension to be funded through tram revenues, providing the council with an additional source of income. The council's finance team has developed a financial model to enable the project costs and revenues to be calculated and closely monitored.

134. Since the outline business case was presented work has continued to refine the financial model. We have carried out preliminary work on the model and have concluded that the model has been appropriately designed and functions in line with expectation. Further work is however required to consider the appropriateness and validity of the key assumptions which underpin the model. We understand that further refinements are due to take place in advance of the full business case being presented to the council in December 2018. We will review the key assumptions and the functionality of the model soon after it is updated.
135. As part of our initial review of the model we noted that the potential impact of delays to the start or completion date of the capital works had not been considered to date. It is our understanding that in advance of the full business case this analysis will be carried out along with a sensitivity analysis on the impact of movements in the key assumptions. We will ensure this is considered as part of our continuing audit work on the trams project.

#### **Other areas identified**

136. As reported to the Tram Extension and Leith Programme Board meeting in August 2018, the Head of Finance has requested that the project team investigate how other similar projects dealt with risk and contingency at the final business case stage, and where possible, gain an understanding of how this compared with the outturn cost. The project team has reached out to Dublin, Manchester and Birmingham, all of which have completed schemes recently. This exercise will need to be completed prior to the approval of the final business case.
137. The council has identified a number of project risks that, if realised, may cause delay in the approval of the final business case. These

include for example the findings from the Lord Hardie independent tram inquiry not being published in sufficient time. Any delays will result in budget challenges given the project team will have to continue to operate beyond the original project dates.

- 138.** Our work on the review of the trams project is ongoing. Our findings will be reported in conjunction with the work being carried out by internal audit.

## Systems of internal control

- 139.** We have evaluated the council's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included audit testing on the key internal financial controls to confirm that they are operating as intended.
- 140.** As reported more fully in our Review of Internal Financial Controls report, we did not identify any significant deficiencies in the design, implementation or operation of internal financial controls over the council's key financial systems. We considered the systems to be well designed. We did identify a number of areas with scope for improvement which, if addressed, would further strengthen the system of internal financial control. These findings are included within our Review of Internal Financial Controls report.

## Internal audit

- 141.** We are committed to avoiding duplication of audit effort and ensuring an efficient use of the council's total audit resource. Each year we consider whether it is the most effective use of the council's total audit resource to place reliance on the work of internal audit. When reliance is to be placed over the work of internal audit we carry out an assessment of the internal audit function to ensure this is sufficient in terms of quality and volume, and is performed in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 142.** We have reviewed the council's internal audit arrangements in accordance with International Standard on Auditing 610 (Using the Work of Internal Auditors), to determine if we could rely on the work of internal audit and if so, to what extent.
- 143.** In its 2017/18 annual report, internal audit noted

that it had not fully conformed with Public Sector Internal Audit Standards (PSIAS) for the following reasons:

- 144.** There had 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
- 145.** Long term sickness absence and recruitment challenges within the Internal Audit team had impacted completion of the two internal quality assurance reviews included in the 2017/18 Internal Audit annual plan to ensure consistency of audit quality.
- 146.** Action has been taken to address instances of non PSIAS conformance. We have considered these areas on non PSIAS conformance when assessing whether reliance can be placed on the work of internal audit. We concluded that this has not had a direct impact on our assessment.
- 147.** Overall we concluded that we will place reliance on the work of internal audit where appropriate.

## Fraud and irregularity

- 148.** In accordance with the Code of Audit Practice, we have reviewed the arrangements for the prevention and detection of fraud and irregularity. Overall, we found the council's arrangements to be sufficient and appropriate.

## National Fraud Initiative (NFI)

- 149.** The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error.
- 150.** The NFI exercise produces data matches by comparing a range of information held on various public bodies' systems to identify potential fraud or error. Bodies investigate these matches and record appropriate outcomes based on their investigations.
- 151.** The most recent NFI exercise commenced in October 2016 and as part of our 2016/17 audit we monitored the council's participation in NFI. We submitted an assessment of the council's participation in the exercise to Audit Scotland in February 2018. Overall we concluded that the council has actively participated in the NFI exercise.

# 4

## Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

# Financial sustainability



The council has a well-developed and responsive Medium Term Revenue Budget Framework. Changes to assumptions in relation to grant funding have resulted in the projected savings gap falling to £106million by 2022-23. The achievement of the projected savings requirement still presents a significant financial challenge particularly in the context of delivery of savings in the current year (80% of savings were delivered in 2017/18).

The council is developing a Change Strategy to ensure that the approach to delivering savings is well governed and maintains focus on strategic priorities.

## Significant audit risk

152. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities

### Financial sustainability

During our 2016-17 audit, we highlighted that the council has a well-developed Financial Strategy and has a clear understanding of future pressures and the impact on the medium term financial position. However, at the most recent Revenue Budget Framework update, presented to the Finance & Resources Committee in February 2018, the projected cumulative savings gap to 2022-23 was estimated at £151.2million.

The council continues to implement a third phase of the transformation programme, along with the programme management necessary to deliver on this challenging target. There is a risk that the change and transformation programme may not deliver the level of savings intended, or at the pace of change required.

*Excerpt from the 2017/18 External Audit Plan*

153. We use this section of the report to describe the council's approach to medium term financial planning. Changes to the underlying assumptions have meant that the projected savings gap has reduced in the most recent update presented to the Finance and Resources Committee. During 2017/18 the council has implemented a Change Board to ensure that key improvement and savings projects are managed in a consistent way, with a focus on strategic priorities and the preventative agenda. However, demographic change and underlying performance issues continue to present a significant financial sustainability risk to the council's management of social care.

*Action Plan Point 6*

## Medium Term Financial planning

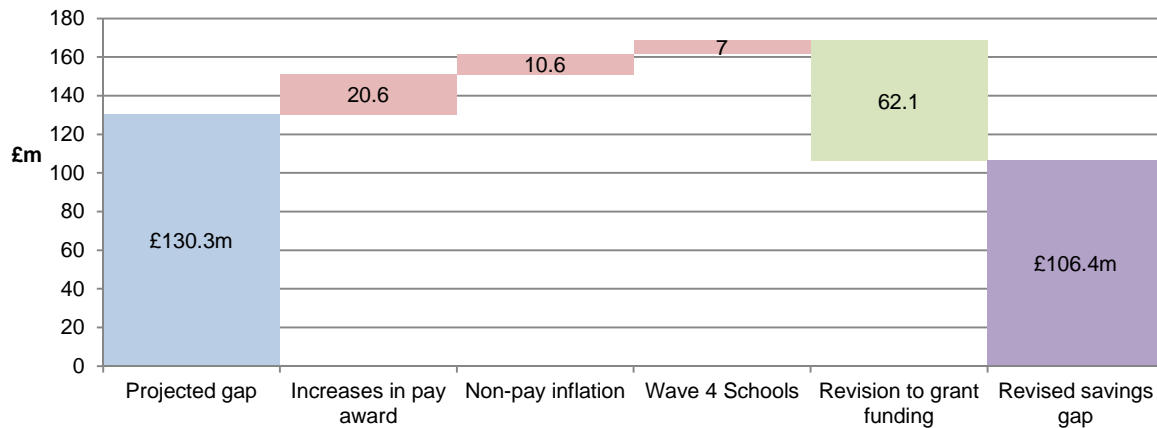
154. The council developed its Revenue Budget Framework in 2015-16 and updates the assumptions and forecasts underpinning the framework on a regular basis. The Framework is subject to review and scrutiny by the Finance and Resources Committee every six months and is used to inform the development of budget proposals.
155. In February 2018, the Finance and Resources Committee considered a report which updated the Revenue Budget Framework to reflect significant changes to the assumptions relating to grant funding. The Framework had assumed decreases in grant levels of around 4.3%. As a result of additional monies within the Local Government financial settlement for 2018-19, the actual grant reduction is around 0.4%,

resulting in a favourable movement in financial projections of £27.1million.

- 156. Officer proposals for the additional income were targeted to council priorities including £4million additional funding for Health and Social Care to provide additional capacity, and £0.9million to support private sector leases for homelessness. The priorities and spending proposals have also been informed by public engagement on budget proposals.
- 157. As Exhibit 9 demonstrates, the change in assumption has had a significant impact on the

projected savings gap to 2022-23. The projected savings requirement has reduced from £130million reported in September 2017, to £106.4million. Scenario modelling continues to be used to consider the implications of a further 1% and 2% reduction in grant funding. The achievement of the projected savings requirement still presents a significant financial challenge particularly in the context of delivery of savings in the current year (80% of savings were delivered in 2017/18).

**Exhibit 9: Changes to the assumptions within the Revenue Budget Framework have resulted in a reduction to the projected savings gap, although savings over £100m are required in a 4 year period.**



Source: Revenue Budget Framework update reports to the Finance and Resources Committee

- 158. During 2017/18 we reviewed the analysis used to produce the Revenue Budget Framework 2018-23 and we are satisfied that it was based on a strong understanding of the impact of demand, current levels of service expenditure, emerging pressures and up to date expectations of future government funding.
- 159. The council continues to report on the financial impact associated with a growing population. Demand for social care services continued to create financial pressure. Failure to deliver planned savings meant that the council was required to increase its financial allocation to the Edinburgh Integration Joint Board by £7.463million.
- 160. In June 2018, the Finance and Resources Committee received a report on the financial impact of rising school rolls. The report outlined the council's approach to deliver additional

capacity for 810 primary school places at a cost of £7.1million plus revenue and capital on costs.

### Transformation Programme

- 161. The Transformation Programme has been the council's key approach to delivering a sustainable financial position. In 2017/18, improvements were made to the monitoring and governance of the programme. All significant projects will now be managed through a single Change Board.
- 162. The Change Board is composed of the council's Corporate Leadership Team. The Change Board meets each month to review new Business Cases, act as the Escalation Point and review the monthly dashboard that sets out progress of the council's portfolio of project which currently contains 54 projects.

**163.** The council estimates that it has delivered £240million of recurring savings since 2012-13. An overarching strategy is in development to ensure that future change projects address the savings gap while delivering on strategic priorities to:

- Provide high quality services at the right level
- Move Edinburgh to a radical preventative agenda
- Achieve sustainable, inclusive growth.

**164.** The Change Strategy is expected to be presented to the Finance and Resources Committee in September 2018. Reporting on progress to the council and Governance, Risk and Best Value Committee has been limited to date and we therefore consider it too early to conclude on the effectiveness of the arrangements.

# 5

## Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Through the chief executive, monitoring officer and section 95 officer, the council is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements. Organisations usually involve those charged with governance in monitoring these arrangements.



# Governance and transparency



The council has appropriate governance arrangements in place and has identified areas for refinement.

Partnership working is central to the council's delivery of its vision for the city. Locality working has the potential to deliver significant improvements, but the council must ensure that it continues to demonstrate improvements in outcomes.

Following concerns regarding the CGI contract for ICT arrangements, we reviewed whether CGI had made progress against the weaknesses identified. Whilst a number of areas had been addressed, a number of actions still remained to be completed.

## Governance arrangements

- 165.** The local government elections in May 2017 resulted in significant changes to the membership and profile of the council. The new council reviewed its political management arrangements in June 2017 and agreed to a more streamlined committee structure, moving from 8 executive committees to 6, over an 8 week cycle. It was hoped that the revised arrangements would address historic areas of imbalance in relation to workload and time commitment associated with the previous committee structure.
- 166.** In June 2018, the council considered the 2018 Review of Political Management Arrangements. The review found that overall, the committee structure has delivered a more balanced set of committees, and that remits, decision-making and accountability are clear. The review did, however, note that the number of reports considered by the council has increased substantially since the last election, and the numbers are significantly higher than other Scottish City councils. The review also found that the average length of committees has increased.
- 167.** The Chief Executive has launched a review of committee reporting to ensure that technology can be used to streamline reporting while continuing to deliver scrutiny requirements. Our observations are that current scrutiny at the council is good. There is evidence of well engaged members who hold officers to account for performance.
- 168.** The Executive Committee structure is supported by the Governance, Risk and Best Value Committee (GRBV), which performs the

role of an Audit Committee but with an extended remit. In March 2018, CIPFA released updated guidance on Audit Committees for Local Authorities. Exhibit 10, presents our assessment of the role of the GRBV against the core functions of an audit committee identified by CIPFA. We found only one area of weakness, relating to the consideration of the authority's assurance statements.

- 169.** We highlighted within our action plan for 2016/17 that the council's Annual Governance Statement had not been subject to separate scrutiny by any committee as part of the preparations for the annual accounts process. We note that no changes have been made to the process, which means that the GRBV has not had the opportunity to consider whether the assurance statements reflect their understanding of risk or consider the adequacy of planned governance improvements.

*Follow up of prior year recommendations –  
Action plan point 6*

## Openness and transparency

- 170.** One of the sector risks identified by Audit Scotland for 2017/18 relates to public sector organisations keeping pace with public expectations on openness and transparency.
- 171.** We found that the council has clear arrangements in place to ensure that members of the public can attend council and committee meetings as observers, and that agendas were available in advance of each meeting. All committee meetings are broadcast on the council's website and a large archive is available for review. In our experience the level

of private papers is appropriate and the reason for privacy is legitimate.

#### Register of interests

- 172.** On review of the councillors' register of interests in 2016/17, we identified four councillors for which not all interests had been disclosed. We recommended that the council remind councillors of the importance of ensuring their registers of interest are complete and updated on a regular basis.
- 173.** There is ongoing engagement with political group staff to ensure they are aware of members' responsibilities regarding the register of interests. Governance and Democratic Services provide ongoing support to members and offer/deliver one-off briefings for councillors to assist in compliance with the Code. The register of interest process has recently been recorded and a log created to ensure updates are tracked through the approval process.
- 174.** Periodic targeted reminders are also issued following committee and external body

appointments approved by the council. The council also hosted a regional roadshow for elected members on the Councillors' Code of Conduct, delivered by the Standards Commission, in November 2017, with all elected members invited to attend.

- 175.** Despite the actions noted above, from our review of the councillors' register of interests in 2017/18, we identified eight councillors for whom not all interests had been disclosed and a further six for which the registers had not been updated to reflect the fact that the interests had ceased.
- 176.** While the responsibility for complying with the Code of Conduct rests with individual elected members, the Ethical Standards in Public Life, etc. (Scotland) Act 2000 impose a duty on councils to support their members to comply with the relevant code.

*Follow up of prior year recommendations –  
Action plan point 2*

#### Exhibit 10: Our assessment of the extent to which the GRBV fulfils the core functions of an audit committee

Core Function	Achieved	Our observations
To be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to change it, and demonstrate how governance supports the achievement of the authority's objectives	Partly	The GRBV considered the Corporate Governance Framework 2016-17 in November 2017. The Annual Governance Statement was not subject to separate review prior to the Unaudited Accounts being presented to full Council in June 2018.
In relation to the authority's internal audit function: <ul style="list-style-type: none"> <li>To oversee its independence, objectivity, performance and professionalism</li> <li>To support the effectiveness of internal audit process</li> <li>To promote the effective use of internal audit within the assurance framework</li> </ul>	Yes	The GRBV has played a strong role in highlighting and addressing weaknesses identified in the follow up and actioning of historic internal audit recommendations.
To consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.	Yes	The GRBV considers a quarterly report from the Chief Risk Officer on the Corporate Leadership Team's assessment and mitigation of corporate risks.

**Exhibit 10: Our assessment of the extent to which the GRBV fulfils the core functions of an audit committee**

Core Function	Achieved	Our observations
To monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption.	Yes	The GRBV has played a decisive role in addressing performance issues identified in relation to the council's ICT arrangements.
To consider the reports of external audit and inspection agencies and their implications for governance, risk management or control.	Yes	Includes consideration of national reports from Audit Scotland.
To support effective relationships between external and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.	Yes	Audit plans considered during March meeting. The National and Local Scrutiny Plan was considered in June 2018.
To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.	Yes	Reporting on follow up of actions has been presented to the GRBV in January and May 2018.

*Source: CIPFA Audit Committees: Practical Guidance for Local Authorities and the Police, March 2018*

## Leadership and Vision

- 177.** In August 2017, the new Administration published its Business Plan 2017-22. The plan sets out the five Strategic Aims and 20 outcomes for the current term, and links the aims and outcomes to 52 coalition commitments. As the capital city, and lead for the Regional City Deal, the council's role in delivering leadership and clarity of vision for the future will be critical.
- 178.** Since 2016, the council has engaged with partners and communities to develop the Edinburgh City Vision 2050. An ambitious public engagement exercise has recently been launched to work with residents to refine the vision and planning to deliver improvements in the long term. The vision work led by a steering group has identified areas of consensus that have been reflected within the Business Plan, and will be used to inform the revised Community Plan.

## Best value focus: Partnership Working

- 179.** The public service landscape in Scotland requires councils to work in partnership with a wide range of national, regional and local

agencies and interests across the public, third and private sectors. As part of our Best Value programme of work for 2017/18, we reviewed the council's approach to partnership working to ensure that there are effective arrangements in place with clear lines of responsibility and accountability, and agreement around targets and milestones to allow the council to demonstrate improvements in outcomes.

## Community Planning

- 180.** The council performs the lead role for the Edinburgh Partnership, the Community Planning Partnership (CPP). The CPP includes statutory partners such as NHS Lothian, Scottish Enterprise, Police Scotland and the Scottish Fire and Rescue Service. It also involves a range of other partners such as representatives from the third sector.
- 181.** The Community Empowerment (Scotland) Act 2015 requires each CPP to produce the following plans:
- A Community Plan for the whole council area.





- A Locality or Neighbourhood Plan for each locality it has identified as experiencing significantly poorer outcomes.
- 182.** The current Community Plan was developed by the previous Administration and covered the period from 2015-18. CPP is undergoing a significant exercise to develop the next Community Plan, which will reflect the council's Business Plan and key strategies to deliver the longer term 2050 City Vision.
- 183.** A significant governance review is also underway to ensure that the CPP is fit for purpose and structured to deliver improved outcomes. However, we note that as a result of the significant development work, the Edinburgh Partnership has not considered progress against outcomes since June 2017.
- 184.** A final performance report will be prepared on outcomes against the 2015-18 Community Plan to coincide with the launch of the new Plan in winter 2018. Our own analysis of performance against some of the key targets within the Community Plan (Exhibit 11) suggests that the pace of change against some priorities has been slower than anticipated.
- 188.** Elected members have expressed interest in further financial information to support improved scrutiny at locality level. Progress in this area has been limited as a result of the complexities of allocating city wide resources across localities. We recognise that Locality Committees are in their infancy but we will continue to monitor the adequacy and usefulness of performance reporting to ensure that Locality Committees have sufficient information to fulfil their potential.

## Locality Planning

- 185.** Good progress has been made in 2017/18 to develop locality planning. Locality Improvement Plans are in place for the 4 localities created by the council and its partners. In addition, in February 2018, the first round of Locality Committee meetings were held.
- 186.** Locality Committees represent a significant change in the way that the council engages with communities, and we noted that the new way of working was welcomed with enthusiasm by elected members. Officers of the council and its partners attend the meetings to ensure a local focus and understanding is used to drive improvements. The council has committed to reviewing the effectiveness of the Locality Committee arrangements in January 2019.
- 187.** We understand that one of the aims of the committees is to devolve budgets and decision-making to locality level. Each Committee receives a performance dashboard highlighting key activity trends. We note that the dashboards are not tailored to the individual locality priorities, and focus on activity data rather than performance outcomes.

## Exhibit 11: Community Plan 2015-18 Strategic Outcomes

Selected indicators against the CPP's four priority areas

Priority	Indicator	Baseline (Sept 2014)	Community Plan Target	Latest Performance	Status
Economy	Unemployment rate	2.1%	2.5%	2.4% (2017 data)	
	Balance of care: % of older people who are cared for at home	34.6%	Increase	57.3% (2018)	
Health and Wellbeing	Delayed discharges	68	Reduce to zero	267 (March 2018)	
	%age achieving development milestones	79%	85%	79.2% (2015-16)	
Children and Young People	Looked after children per 1000 popn	16.9	16.7	15.5 (2017/18)	
	Violent crime (Group 1) per 10,000 population	18	Reduce	16.3	
Safer communities	Dwelling fires	525	Reduce	453	
	Affordable housing completions	1285 completed	800	1475	

Source: Community Plan 2015-18 / Performance reports


## Significant audit risk

189. Our annual audit plan identified a significant audit risk relating to the council's ICT transformation programme:

### CGI contract management

At its meeting on 16 January 2018, the Governance, Risk and Best Value Committee considered an update report on the CGI-led transformation programme. The report highlighted a number of failings in relation to original and revised timescales not having been met. The GRBV Committee requested a progress update to be taken to the May 2018 meeting. Audit Scotland has also expressed interest in CGI's delivery given that they have a number of high profile contracts in Scotland (e.g. Glasgow City Council and Rural Payments IT system which was heavily criticised in an Audit Scotland report in June 2017).

#### *Excerpt from the 2017/18 External Audit Plan*

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190. At the GRBV meeting on 16 January 2018, the committee requested that we prepare a follow up report for the May 2018 meeting to provide an update on the audit recommendations and general security management arrangements.
191. During early April 2018, our specialist ICT auditors conducted additional follow-up work to establish the extent of progress that had been made by CGI in addressing the recommendations contained within our original report from October 2017.
192. We held a number of meetings with senior personnel within CGI, including the Chief Information Security Officer (CISO) dedicated to the CEC account, to discuss the actions that had been taken by CGI to address the recommendations. The meetings were also attended by the council's Enterprise Architect, ICT Security and Governance Manager.
193. We were also provided with evidence by CGI, wherever possible, to demonstrate the progress made.
194. From our discussions with CGI and CEC ICT management as well as review of documentation, we were able to conclude that, whilst progress had been made and mitigating actions put in place in some areas, a number of actions still remained to be completed, all of which had passed their target completion date. In summary:
- Three (25%) actions were regarded as completed
  - One action (8%) was regarded as complete as the risk has been accepted by the council.
  - Three actions (25%) have been assessed as being substantially complete. In this case, the core actions had been implemented by CGI but our requirement was to confirm that they were in place over a sustained period. At the time of our review that time requirement had not yet been achieved.
  - Five actions (42%) have been assessed as partially complete.

## Following the Public Pound

195. In May 2018, Audit Scotland published its national performance report on Arm's Length External Organisations (ALEOs) across Scottish Local Government. The report found that ALEOs can bring both financial and operational benefits and that councils have generally improved and strengthened their oversight of ALEOs. The report made a number of recommendations for councils,

including the need to set clear criteria for how councillors and officers are involved with ALEOs, and take steps to demonstrate more clearly how ALEOs secure Best Value.

196. The GRBV considered the national report at its meeting in August 2018. The covering report included a self-assessment of the City of Edinburgh Council's arrangements against the nine recommendations. A further report will be prepared for the Corporate Policy & Strategy

Committee to consider the advantages and disadvantages associated with appointing elected members on the boards of the council's ALEOs.

197. The council has continued to actively manage its ALEOs during 2017/18, using the Governance Hub. The council has also progressed plans to bring the EDI Group back in-house. The council consider this decision will bring significant financial advantages.

## Risk Management

198. Well-developed risk management arrangements help councils to make effective decisions and secure better use of resources. The Corporate Policy and Strategy Committee approved a revised Risk Policy and Risk Appetite Statement in August 2018.
199. Ownership of the council's risk management framework rests with the Corporate Leadership Team's (CLT) Risk and Assurance Committee for oversight, scrutiny and confirmation of scoring. The Chief Risk Officer chairs Directorate level Risk Committees and ensures that any emerging risks are escalated to the CLT as appropriate. During our review, we were satisfied that risks are actively managed and subject to escalation or scaling down as appropriate.
200. As we note in Exhibit 12, the council's Risk Management Team won an ALARM award for Excellence in 2018.

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### Exhibit 12: The council were awarded the 2018 ALARM award for Operational Risk

City of Edinburgh Council won the 2018 Operational Award for the Self-Assurance Framework in place to manage operational risk

The framework is used to manage operational risk and improve the effectiveness of their control environment.

The framework is fully embedded within communities and families and the framework is used as a first line of defence tool within all schools, libraries, residential establishments and care homes.

The multi-disciplinary framework is now being rolled out across other areas of the council, with the enthusiastic support from directors, heads of service and managers at all levels.

*Source: ALARM Excellence Awards 2018*

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201. The CLT risk register is reported to the Governance, Risk and Best Value Committee on a quarterly basis. The reporting includes the top prioritised risks, current mitigating controls and further actions to be delivered. Six risks remain within the council's "high" risk category after mitigating actions had been applied:

- Health and Social Care
- Capital asset management
- ICT capabilities
- Change
- Major incident
- Information Governance.

202. Overall, we were satisfied that risk management arrangements appear to be embedded across the organisation and are well-integrated with the council's internal audit arrangements.

## Impact of EU Withdrawal

203. Audit Scotland has identified EU withdrawal as an emerging significant risk facing public bodies across Scotland. Three streams of potential impact were identified:

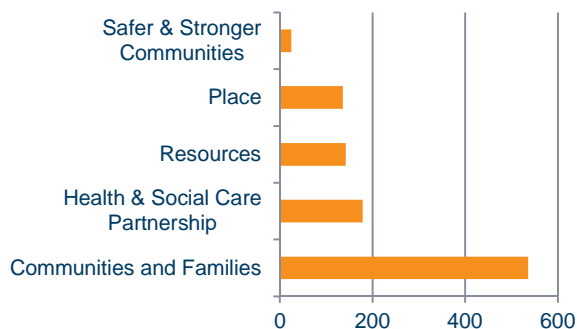
- Workforce
- Funding
- Regulation

204. The council has recognised workforce and economy as being the most significant risk areas.

205. The council's Human Resources team has undertaken a significant programme of work to develop sufficient data and understanding of the service areas that are most likely to be impacted by EU withdrawal. As Exhibit 13 highlights, the employees most likely to be affected predominantly work in the council's Education and Social Care services.

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**Exhibit 13: The Council's analysis of current EU nationals employed by service**



*Source: Analysis undertaken by the Council's Human Resources Team*

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Policy and Strategy Committee agreed at its August 2018 meeting that a Brexit Working Group should be reinstated to review actions currently in place and report on future options to provide support for Non-UK EU nationals within the council workforce and the wider city population.

### Standards of conduct

**211.** In our opinion, the council's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate.

**206.** The council has issued guidance and offered support to all employees believed to be directly impacted. Further guidance will be made available as the EU withdrawal process becomes clearer.

**207.** While the council now understands the impact for its directly employed workforce, a significant amount of uncertainty remains around those employed through third party contracted service providers.

**208.** The council has also recognised EU withdrawal as a key area of challenge in achieving their vision of Edinburgh as a welcoming international city. As a result, the Edinburgh Economy Strategy, approved in June 2018 recognises the transition as an area requiring action.

**209.** The strategy highlights three key actions to help minimise the city respond to the challenges and opportunities that EU withdrawal brings:

- Focus on innovation
- Focus on skills
- Focus on places.

**210.** The council has recognised the potential risk to levels of funding within the Economic Development risk register. The council continues to work with other local authorities and COSLA to assess the potential impact on funding after the guarantees around funding until 2020 have ended. The council's Corporate



# 6

## Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the council's own reporting of its performance.

# Value for money



The council has developed a robust Performance Framework to monitor progress against the Business Plan 2017-22. We found evidence that elected members provide appropriate scrutiny and challenge to reported performance outcomes

The council demonstrates good self awareness, particularly around areas that require improvement. However, interventions to secure improvement have not always been effective, particularly in roads and building standards.

Performance and improvement in health and social care has been poor and requires a significant step up in the pace of change.

## Performance Framework

212. The council published *The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22* in August 2018. The Business plan sets out the council's vision, and Strategic Aims for the term of the Administration:

- A Vibrant City
- A City of Opportunity
- A Resilient City
- A Forward Looking Council
- An Empowering Council.

213. The plan links the Aims to 52 coalition commitments and the council wide approaches, values and behaviours needed to deliver the commitments and improvements to services.

214. In November 2017, the Council developed the Performance Framework necessary to measure and monitor progress against the Business Plan. By February 2018, SMART measures and targets were in place for each of the coalition commitments and were subject to robust scrutiny at the Corporate Policy and Strategy Committee. We are satisfied that the measures adopted will provide sufficient information to elected members to allow them to scrutinise the pace and depth of improvement.

## Public Performance Reporting

215. The council considered the corporate performance report for 2017/18 in August 2018. The report was comprehensive, and included monthly analysis of key corporate indicators, along with traffic light reporting on achievement against targets. The report contains analysis of key challenges and context impacting performance, such as the demographic pressures associated with a rising and ageing population. It also outlines a number of opportunities, such as the investment associated with the City Region Deal, continuing job growth and low levels of unemployment.

## Local Government Benchmarking Framework

216. The Accounts Commission has a statutory power to define the performance information that local authorities have to publish. The 2015 Direction, which applies until 31st March 2019, reinforced the Accounts Commission's focus on public performance reporting (PPR) prescribed two Statutory Performance Indicators (SPIs):

SPI 1: Each council will report a range of information setting out:

- Its performance in improving local public services (including with partners)
- Its performance in improving local outcomes (including with partners)
- Its performance in engaging with communities and service users, and responding to their views and concerns

- Its performance in achieving Best Value, including its use of performance benchmarking; options appraisal and use of resources.

SPI 2: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

**217.** We are satisfied that the council Performance Report 2017/18 fulfils the requirements of most of SPI 1. As we note in paragraph 182, the council has not yet reported on its performance on improving local outcomes with partners. We were therefore unable to conclude in full on the achievement of SP1 1.

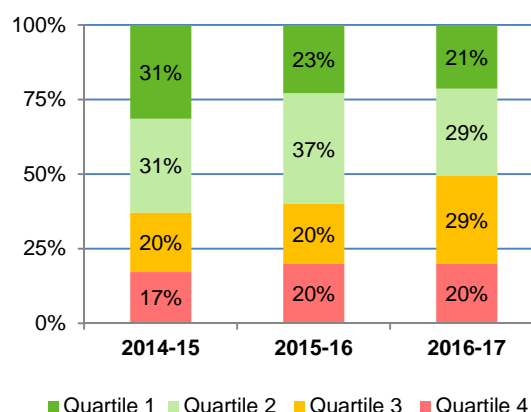
#### Action Plan Point 7

**218.** The council fulfilled its obligations to report performance in line with the Local Government Benchmarking Framework. A summary of the performance, including areas for improvement and trends was presented to the council within the Performance Report in August 2018.

**219.** Exhibit 14 highlights that Edinburgh's performance compared to other Scottish councils continued to fall in 2016-17. Persistent areas of poor performance include

- The quality and standard of council-provided housing (as measured by the dwellings meeting the Scottish Housing Quality Standard) is the lowest of any council. It is rated at 75.7% compared to an average of 92.5%. Edinburgh has been the lowest performing council for this indicator since 2014-15.
- The percentage of adults satisfied with refuse collection services was 66.3% in 2016-17. Edinburgh has been the lowest performing council since 2014.
- For asset management, the percentage of Council accommodation that is suitable for its current use is 59.3%. This indicator has been the lowest performing in Scotland since 2011-12.
- Adult satisfaction with local schools is the lowest in the country at 62.7%. This has been the lowest in Scotland since 2015-16.

**Exhibit 14: Overall performance declined relative to other councils in Scotland during 2016-17**



Source: Local Government Benchmarking Framework, Improvement Service 2018

**220.** Sixteen indicators were in the top performance quartile: Areas of good performance include the level of Looked After Children being looked after in the community (91.9% against a national average of 89.9%), resident satisfaction with parks and museums/galleries, and a number of cost indicators such as the cost per primary and secondary school pupil educated.

#### Best Value: Improvement

**221.** The Best Value assessment considers whether the council has achieved continuous improvement not in all services areas, but in the outcomes within the council's strategic priority areas. We therefore drew upon the council's Annual Performance Report 2017/18 to consider the pace of improvement against areas that the council has identified as a priority.

**222.** The report highlights good progress in the priority area to narrow the educational gap between children from deprived areas and the rest of the population. There is also evidence of significant improvements as a result of a transformational review into Looked After Children. The council's improvements resulted in the looked after children rate per 1000 population falling from 16.9 in 2013 to 15.5 in 2018, which means that more children are remaining in their own home. The transformation activity has also resulted in a significant increase in in-house foster care

capacity. In five years, the council has improved the in-house proportion from 55% to 63%.

**223.** The report identifies concerns relating to homelessness case length as, at 327 days, it is significantly higher than the target of 200 days. While homelessness presentation continues to fall, the council has recognised it as such a significant priority that a member led Homelessness Task Force has been created. The council continues to focus on prevention and long term solutions for homelessness, including the acceleration of the affordable housing programme.

### Health and Social Care

**224.** The council's performance report does, however, identify that progress on shifting the balance of care for older people has remained static over 2017/18. The council is one of the key partners in the Edinburgh Health and Social Care Partnership. The partnership's performance analysis of performance against the rest of Scotland for national outcome indicators continues to place it in the lowest quartile for a number of key indicators including:

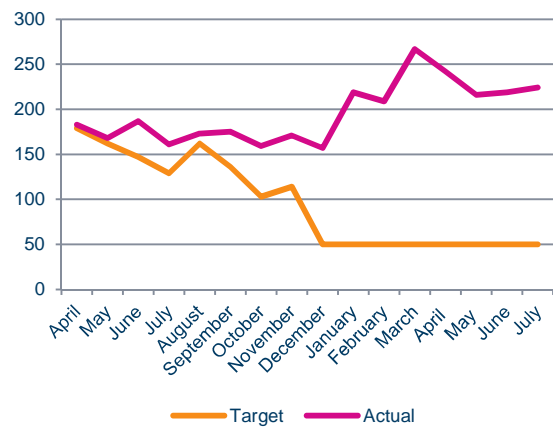
- The number of days people spend in hospital when they are ready to be discharged (refer to Exhibit 15 on “delayed discharges”)
- The percentage of carers who feel supported to continue in their role
- The proportion of the last 6 months of life spent at home or in a community setting.

**225.** The IJB planned to reduce non-complex delayed discharges to 50 by December 2017. As Exhibit 15 highlights, the planned targets have not been achieved at any point in the year.

**226.** Over the last 2 years, a number of intervention actions have been taken to reduce delayed discharges, including the creation of a Delayed Discharge Oversight Group which has representation of the whole system.

**227.** The main reasons for the high level of delayed discharges are lack of available care packages (54% of the total reported) and care home places (27%) due to lack of funding and suspensions in admissions.

**Exhibit 15: The Edinburgh Health and Social Care Partnership has not reached delayed discharge targets for 2017/18.**

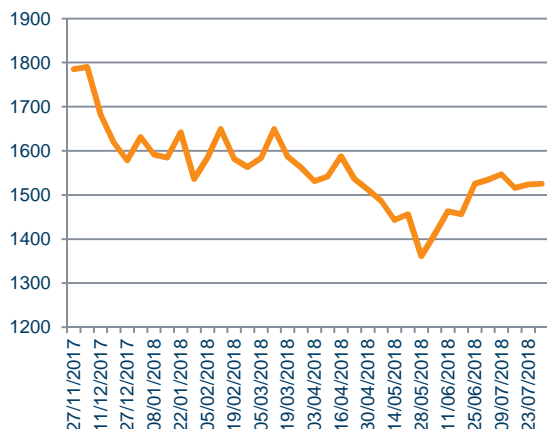


*Source: Whole System Delays report to Edinburgh IJB*

**228.** Assessments on the current performance and improvement plans have been considered by the GRBV and a special meeting of the Corporate Policy and Strategy Committee in January 2018. *The Plan for Immediate Pressures and Long Term Sustainability* identified the backlog in people awaiting assessment in the community as an immediate priority for the Partnership.

**229.** A specific investment was made to recruit a short-term team of assessors with the aim to clear all of the backlog assessments by the end of July 2018. Over 700 individuals were transferred to the team to conduct assessments. The team were able to clear the backlog waiting list within the planned timescale. As Exhibit 16 demonstrates, this reduced the waiting list, but improvements have not been sustained.

**Exhibit 16: The Waiting List for Assessments fell during intense intervention but has begun to rise again**



Source: Whole System Delay Reports to Edinburgh IJB

**230.** The Partnership has also had an improvement plan in place to respond to a very critical Joint Inspection of Older People's Services, which was published in May 2017. The actions and format of the improvement plan changed during 2017/18, partly as a result of significant changes in senior management. However, our review of progress against the improvement plan concluded that reporting and therefore governance of the plan lacked clarity and focus. As a result, the pace of change and level of improvement has not been good enough.

*Action Plan Point 8*

**Service Improvement Plans**

**231.** The council demonstrates good self-awareness around areas of poor performance, and we found that the performance reporting in 2017/18 was honest and robust. We noted during 2016/17 that the council created service improvement plans to address specific, persistent performance concerns in waste and road services.

**232.** Exhibit 17 outlines our analysis of performance against these areas. We found that while the waste improvement plan was substantially complete and leading to improved outcomes,

progress against the roads improvement plan was disappointing.

**233.** In August 2018, the GRBV received a report on an Improvement Plan for Building Standards, which had been referred from the Planning Committee. As a result of Ministerial concern about the performance of the service, the Scottish Government's Building Standards Division (BSD) visited the council in February 2017. The Scottish Government made recommendations which resulted in a one year appointment as local authority verifier of building warrants, and the threat that without improvement, the appointment would be withdrawn thereafter. The council was required to develop an improvement plan, which was reported to the Planning Committee.

**234.** In November 2017, the BSD carried out an audit of the service which examined progress made on the improvement plan since the last visit. The audit concluded that insufficient progress had been made. A refreshed improvement plan is now in place and the Council, in conjunction with Scottish Government has appointed an improvement team to assist with the delivery of this improvement plan.

**235.** The council has recently established a Change Management process to improve the quality, consistency and governance of all significant change projects. Service Improvement projects are one of five change types that will be tracked by the council's officer-led Change Board. Progress against the portfolio of projects will be reported to the Governance, Risk and Best Value Committee on a six-monthly basis. The first of the dashboard reports was presented to the GRBV in June 2018.

**236.** The GRBV must be confident that the dashboard reporting gives the committee sufficient understanding of progress, barriers and accountability for improvement. We will review the impact of the Change Strategy as part of our work in 2018-19.

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## Exhibit 17: Service Improvement Plans

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### Waste Improvement Plan - evidence of success

The Waste and Cleansing Improvement Plan was developed in response to concerns from Elected Members and members of the public over the poor quality of waste collection and street cleansing services. An improvement plan was approved by the Transport and Environment Committee in November 2016.

Good progress was made in implementing the plan, and a final update was provided to the Committee in March 2018, allowing the improvement plan to be closed. Of the 65 actions identified, 63 had been completed in full.

The service has identified significant improvements, including:

- Satisfaction rates with street cleaning, the refuse service and recycling have increased from 2014-16
- Individual missed bin complaints in November and December 2017 were the lowest they had been in any month since August 2014
- The cost of waste collection is lower than the Scottish average.

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### Roads Improvement Plan - further work needed

The roads improvement plan was put in place in April 2016 following significant resident dissatisfaction with services. The original improvement plan identified 32 actions. In March 2017 a further four actions were added.

As at March 2018, the majority of the actions remain open. Only 8 of the 36 actions (22%) have been achieved.

The Roads Service identify 2 key measures of success; customer satisfaction (as measured using the Edinburgh People Survey) and the condition of Edinburgh's roads. Our analysis of performance information highlights that:

- Resident satisfaction with road maintenance fell slightly between the survey in 2012-14 and 2015-17, from 52% to 51%. Satisfaction with Pavement maintenance fell from 60% to 53%.
- The roads condition index improved and the percentage of roads considered for maintenance was better than the Scottish average
- The cost of road maintenance is significantly higher than the Scottish average (£19,905 per kilometre against the Scottish average of £10,456).

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*Source: Reporting to the Transport and Environment Committee, Edinburgh People Survey and LGBF data 2018*

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# 7

# Appendices

# Appendix 1: Respective responsibilities of the council and the Auditor

## Responsibility for the preparation of the annual accounts

The council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Head of Finance has been designated as that officer within City of Edinburgh Council.

The Head of Finance is responsible for the preparation of the council's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

### In preparing the annual accounts, the Head of Finance is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with legislation; and
- complying with the Code.

### The Head of Finance is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditor responsibilities

### We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of the affairs of the body and its group as at 31 March 2018 and of its surplus for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).



### **We are also required to report, if in our opinion:**

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

### **Wider scope of audit**

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

### **Independence**

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

#### **Group non-audit services**

Scott-Moncrieff provides taxation services to CEC Holdings Group and Transport for Edinburgh Group. All tax services are provided by independent partners and staff who have no involvement in the audit of those financial statements. The total value of taxation services provided is approximately £28,000.




#### **Confirmation of independence**

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and the council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

# Appendix 2: Best Value Programme

In October 2016, Audit Scotland introduced a new approach to auditing Best Value in Scottish councils. The new approach continues to audit against the statutory duties but has an increased focus on the pace and depth of improvement at each council. Each council will be subject to a full Best Value Assurance report over a 5 year period.

Under the Code of Audit Practice (May 2016), and supplementary guidance issued by Audit Scotland, we are required to consider and make judgements on 8 Best Value themes over the course of our appointment. This work will build our assessment of the council's approach to demonstrate Best Value, which will help to risk assess and inform the coverage of the full Best Value Assurance Report. Audit Scotland has recently announced the councils that will be subject to full Best Value in Year 3 of the programme. We therefore anticipate that City of Edinburgh Council will fall within Year 4 or 5 of the programme. The table below outlines our coverage to date and plans for the remaining 3 years of our appointment.

Wider Scope Dimension	Year 1 2016-17	Year 2 2017/18	Year 3 2018-19	Year 4 2019-20	Year 5 2020-21
	<b>Anticipated BVAR at CEC</b>				
 <b>Financial Management/ Sustainability</b>	<b>Effective use of resources</b>				<b>Sustainability</b>
	Financial governance Financial and service planning	Financial governance Resource management			
 <b>Governance and transparency</b>	<b>Governance &amp; accountability</b>				
	Governance, decision making and scrutiny Member training and development	Governance, decision making and scrutiny	Managing risk effectively	Public performance reporting Member training and development	Governance, decision making and scrutiny
		<b>Partnership and collaborative working</b>	<b>Community responsiveness</b>	<b>Vision and leadership</b>	
			<b>Fairness and equality</b>		
 <b>Value for money</b>		<b>Performance outcomes and improvement</b> Improvement		<b>Performance outcomes and improvement</b> Performance and outcomes	

# Appendix 3: Accounts Commission Strategic Priorities

Each year, the Accounts Commission sets out its plans and priorities to fulfil its oversight and scrutiny role, with the overriding aim to hold councils to account for the pace, depth and continuity of improvement facilitated by effective governance. We aim to support the Accounts Commission's work by using our annual audit work and Best Value assessments to assess how the City of Edinburgh Council is progressing against the Commission's priorities. The Strategic Plan for 2017-22 (<http://www.audit-scotland.gov.uk/report/accounts-commission-strategy-and-annual-action-plan-2017-22>) contains five Strategic Priorities.

Our assessment against the priorities is outlined below

2017/18 Strategic Priority	Our assessment
<p>Having clear priorities and better long term planning</p>	<p>Following the local government elections, the council quickly set out its Business Plan 2017-22, which refined the strategic priorities and linked them to the coalition commitments. A wider Strategic Planning Framework is in place, which includes the Health and Social Care Partnership Strategic Plan and the Economic Strategy. We found consistency and clarity of priorities across the strategies.</p> <p>The council also works well with partners, both in developing the City Vision 2050, and on the Edinburgh Partnership (the Community Planning Partnership/ CPP). Work on the Community Plan for 2019 and beyond is underway, and expected to be considered by the CPP in Winter 2018.</p>
<p>Evaluating and implementing options for more significant changes in how they deliver services</p>	<p>During 2016/17 and 2017/18, we have found limited examples of the use of option appraisal, although options appraisal has been conducted to assist decision making in relation to ALEOs, particularly the decision to bring the EDI Group in house, and early decisions on Edinburgh Trams.</p> <p>We understand that under the revised Change Programme, each new Project requires a completed Business Case at the initiation stage which is informed by the Green Book 5 Case Model. The council's Corporate Leadership Team acts as the Change Board to scrutinise all change projects.</p>
<p>Ensuring members and officers have the right knowledge, skills and support to deliver effective services in the future</p>	<p>During May-August 2017, the council provided a comprehensive programme of induction and training sessions for the new and returning elected members. The programme included 31 sessions that were repeated to help attendance. Additional, tailored training sessions have been held for members of the GRBV.</p> <p>Throughout our appointment we have noted that the council's elected members are well-engaged and perform their scrutiny role well.</p>
<p>Involving citizens more in making decisions about local services and empowering local</p>	<p>In February 2018, the council held its first round of Locality Committee meetings. The Locality Committees are elected member led but involve representatives from a range of services including health and social care, and bridge the gap between Neighbourhood Partnerships and the Executive</p>

## 2017/18 Strategic Priority

communities to identify and help deliver services they need

## Our assessment

Committees. The Committees have a Locality Improvement Plan in place which identifies local priorities, based on local engagement.

As part of the budget development process, the council uses Budget Engagement to identify and understand the potential impacts of proposals that have been considered by the Finance and Resources Committee. Areas of concern, solutions and opportunities emerging from the consultation are considered by the Committee before savings plans are finalised.

Reporting their performance in a way that enhances accountability to citizens and communities

We reviewed the Performance Management Framework and Corporate Performance Report for 2017/18 as part of our work on the council's arrangements to secure Value for Money. We found that the report was comprehensive and provided useful commentary on context, performance concerns and improvement actions. The report included an appendix on how the council compares to others within the Local Government Benchmarking Framework.

We do, however, note that the council has not yet reported on delivery of outcomes against the 2015-18 Community Plan.

The Accounts Commission Strategic Plan for 2018-23 was published in June 2018 ([http://www.audit-scotland.gov.uk/uploads/docs/report/2018/ac\\_strategy\\_plan\\_18-23.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/ac_strategy_plan_18-23.pdf)) and refines the five strategic priorities:

1. Having clear priorities with a focus on outcomes, supported by effective long term planning.
2. Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.
3. Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
4. Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
5. Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

We will continue to monitor and report on the council's approach as part of our approach to the audit in 2018/19.

# Appendix 4: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

Finding rating	Assessment rationale
<b>Critical</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance ; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<ul style="list-style-type: none"> <li>• A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</li> </ul>

## Current year action plan

Action plan point	Issue, Risk & Recommendation	Management Comments
<b>1. User access controls</b>	<p><b>Issue</b></p> <p>We noted during our audit that any member of the council finance team with ledger access can post entries to organisations that the council provides financial ledger services to even though they may have no interaction with those organisations.</p> <p><b>Risk</b></p> <p>There is a risk that incorrect or fraudulent postings could be made to those organisations' financial ledgers.</p> <p><b>Recommendation</b></p> <p>We recommend that the council reviews user access controls to the financial ledger.</p>	<p>There is no existing system-based means of preventing staff from posting journal entries affecting other organisations. Initial indications are that the cost of introducing such controls would likely be prohibitive relative to the resulting benefits.</p> <p>As part of the detailed monitoring of these organisations' financial affairs, however, transaction lists for the Lothian Valuation Joint Board and SEStran are reviewed on a monthly basis and this identifies any of an unexpected nature. This check will be formally evidenced going forward.</p> <p><b>Responsible officer:</b> Business Partnering Senior Manager, Finance</p> <p><b>Implementation date:</b> October 2018</p>
<b>Rating</b>		
<b>Low</b>		
<b>Paragraph ref</b>		
<b>20</b>		

Action plan point	Issue, Risk & Recommendation	Management Comments
2. Property, plant and equipment	<p><b>Issue</b></p> <p><b>Valuation</b></p> <p>We noted the following through our review of the valuation process:</p> <ul style="list-style-type: none"> <li>The instructions from the council to the internal valuer are not disseminated to individual valuers who carry out the valuations;</li> <li>A material adjustment was made to the annual accounts as differences were identified between the valuations provided by the valuer and those recorded in the council's asset register; and</li> <li>The results of the valuation exercise are not formally communicated to the council.</li> </ul> <p><b>Impairment</b></p> <p>We noted that no assessment of impairment of the estates portfolio has been carried out in 2017/18; other than for those assets forming part of the 2017/18 valuation programme.</p> <p><b>Risk</b></p> <p>There is a risk that the valuations carried out are not consistently prepared, in line with the instructions issued by the council.</p> <p>There is also a risk that the results of the valuations or impairment reviews are not correctly disclosed and accounted for in the annual accounts.</p> <p><b>Recommendation</b></p> <p>We recommend:</p> <ul style="list-style-type: none"> <li>The instructions are circulated to all those responsible for carrying out the valuations;</li> <li>Reconciliations are performed between the records held by the valuers and the council's asset register;</li> <li>An overarching valuation report is prepared; the content of which is in accordance with the RICS Red Book; and</li> <li>The council to formalise its procedures for assessing whether there has been an impairment of its estates portfolio.</li> </ul>	<p>For the 2018/19 process, both a handbook for valuers and a manager's checklist of all the steps involved in the asset valuations have been produced.</p> <p>The year-end instructions have been incorporated within the handbook and are being issued to all staff involved in the valuation process.</p> <p>A reconciliation between Logotech and AIS will be carried out to ensure the respective systems are in balance, with any differences investigated.</p> <p>An overarching valuation report, consistent with the requirements of the RICS Red Book, will be produced for 2018/19.</p> <p>A formal procedure will be put in place with regard to assessing whether an impairment has occurred and included within the handbook.</p> <p><b>Responsible officer:</b> Operational Estate Manager, Resources</p> <p><b>Implementation date:</b> April 2019</p>
Rating		
High		
Paragraph ref		
24 & 27		

Action plan point	Issue, Risk & Recommendation	Management Comments
3. Common good – income and expenditure transactions	<p><b>Issue</b></p> <p>The council's unaudited common good fund accounts did not disclose all transactions pertaining to the common good fund (value approximately £5.8million). These transactions were included within the council's accounting records. The accounts were subsequently updated.</p>	<p>To ensure the effective management of relevant assets and associated costs as part of the Council's wider property portfolio, income and expenditure of the Common Good will continue to be coded within the Council's accounts during the year. At the year end, an adjustment will be made between the respective funds to ensure that the income and expenditure are appropriately reflected in both accounts.</p>
<b>Rating</b>		
<b>Medium</b>	<p><b>Risk</b></p> <p>There is a risk that the accounts of the common good funds are not transparent and show the true position of the operation of those funds.</p>	<p>Property and Facilities Management will review the relationship between the Council and the Common Good Fund and consider proportionate improvements to arrangements for the use and maintenance of the latter's assets.</p>
<b>Paragraph ref</b>		
<b>57</b>		
	<p><b>Recommendation</b></p> <p>We would encourage the council to review its relationship and use of the common good funds/assets and put in place documented arrangement for the use and maintenance of those assets.</p>	<p>Responsible officer: Principal Accountant (Corporate Accounts), Finance (working with relevant colleagues as appropriate)</p> <p><b>Implementation date:</b> February 2019</p>



Action plan point	Issue, Risk & Recommendation	Management Comments
4. Common good – asset register	<p><b>Issue</b></p> <p>The council is currently compiling a common good register to comply with the requirements of the Community Empowerment (Scotland) Act 2015. We noted during our audit that there are assets included on this register which are not currently accounted for as common good in the annual accounts. No adjustment was made to the 2017/18 annual accounts however it is anticipated that there will be an increase in value of common good assets in 2018/19.</p> <p><b>Risk</b></p> <p>There is a risk that the common good accounts are misstated.</p> <p><b>Recommendation</b></p> <p>The council, in preparing the 2018/19 common good fund annual accounts should review the accounting policies for property, plant and equipment and heritage assets to ensure that:</p> <ul style="list-style-type: none"> <li>• The assets are classified correctly;</li> <li>• The appropriate valuation basis has been applied; and</li> <li>• Depreciation is applied dependent on the accounting policy and classification of the asset.</li> </ul>	<p>The consultation on the revised common good register is anticipated to begin on 27 September 2018. During this consultation and in advance of the 2018/19 year end, the respective assets of the Common Good Fund and the Council will continue to be assessed and any required reclassification undertaken.</p> <p>As part of this reclassification of assets, the Council will consider the appropriate valuation basis, paying due consideration to statutory mitigation, and ensure that the depreciation applied is consistent with the accounting policy and classification.</p> <p><b>Responsible officer:</b> Principal Accountant (Corporate Accounts), Finance</p> <p><b>Implementation date:</b> May 2019</p>
<b>Rating</b>		
<b>High</b>		
<b>Paragraph ref</b> 62		

Action plan point	Issue, Risk & Recommendation	Management Comments
5. Options appraisal – tram extension project	<p><b>Issue</b></p> <p>Reliance has been placed on the original options appraisal for transport modes which took place in support of the Parliamentary bill.</p> <p>The council has not validated this original appraisal.</p> <p><b>Risk</b></p> <p>There is a risk that findings of the original option appraisal are diluted given the passage of time.</p> <p><b>Recommendation</b></p> <p>A high-level options assessment should be carried out to validate the conclusions reached in the 2006 STAG 2 appraisal which formed the basis for the Edinburgh Tram (Line One) Act 2006. This work should include the assessment of viable modal options against assessment criteria and objectives derived from the original STAG appraisal in light of current policy. This work should conclude prior to any decision.</p>	<p>A high-level options assessment will be carried out and presented as part of the Final Business Case.</p> <p><b>Responsible officer:</b> Project Senior Responsible Officer</p> <p><b>Implementation date:</b> December 2018</p>
<b>Rating</b>		
<b>High</b>		
<b>Paragraph ref</b>		
<b>130</b>		

Action plan point	Issue, Risk & Recommendation	Management Comments
6. Financial sustainability – Health and Social Care	<p><b>Issue</b></p> <p>During 2017/18 it became clear that the services that the council deliver for Edinburgh Integration Joint Board would incur an overspend of over £7million. Planned savings of £6million were not delivered in 2017/18. As a result, and as in 2016-17, additional contributions were made to the IJB.</p> <p>The council has allocated an additional non-recurring contribution of £4million in 2018-19 to help support capacity challenges.</p> <p><b>Risk</b></p> <p>There is a risk that the budget for adult social care is insufficient to deliver the level of improvement required.</p> <p><b>Recommendation</b></p> <p>The council should work with the Edinburgh IJB and other partners to ensure that funding is sufficient to support transformation change.</p>	<p>The Health and Social Care Partnership has identified a broad programme of activity/ transformational changes to optimise delivery within the funding available from the two partner organisations, CEC and NHS Lothian.</p> <p><b>Responsible officer:</b> Chief Officer, Edinburgh Health and Social Care Partnership</p> <p><b>Implementation date:</b> March 2019</p>
<b>Rating</b>		
High		
<b>Paragraph ref</b>		
153		

Action plan point	Issue, Risk & Recommendation	Management Comments
7. Performance reporting	<p><b>Issue</b></p> <p>As a result of ongoing development work on the new Community Plan, the Edinburgh Partnership has not yet reported on the outcomes achieved against the Community Plan 2015-18.</p>	<p>The Council team supporting the Edinburgh Partnership (EP) is aware of the delay in the production of the annual performance report and is currently working on drafting this report. It should be noted that the Edinburgh Partnership will be focusing its attention on a review of governance arrangements and the new community plan currently in development, so discussion of the performance report will likely not happen until the end of 2018.</p>
Rating		
Medium	<p><b>Risk</b></p> <p>The council has not fully complied with the Accounts Commission's Statutory Performance Indicator Direction. Without regular reporting on the achievement of outcomes, it may be difficult to assess effectiveness of steps taken by the Partnership.</p>	<p>As part of the development of the new community plan, high-level performance indicators are being identified to support monitoring of progress going forward. Creating a performance framework around these indicators will be a key stage in the early days of the new plan.</p>
Paragraph ref		
217	<p><b>Recommendation</b></p> <p>The council should ensure that arrangements are in place to regularly report to the Edinburgh Partnership on the delivery of outcomes.</p>	<p>Finally, the EP has also started to shift the focus of its discussions onto thematic outcomes. This allows it to have more in-depth discussions on progress to date, covering joint working, existing barriers and impact for communities. At its last meeting in June, the discussion focused on partnership working to address causes of motorbike crime.</p>
		<p><b>Responsible officer:</b> Policy and Insight Senior Manager</p> <p><b>Implementation date:</b> December 2018</p>

Action plan point	Issue, Risk & Recommendation	Management Comments
8. Health and Social Care performance	<p><b>Issue</b></p> <p>Despite investment in interventions, some of the key performance measures for health and social care remain poor. Our review of progress against the improvement plan concluded that reporting and therefore governance of the plan lacked clarity and focus. As a result, the pace of change and level of improvement has not been good enough.</p>	<p>The transformational programme, which is still in the final stages of development, is intended to optimise the systems, processes and delivery within existing statutory expectations, as well as shift the strategic focus to prevention and early intervention in order to deliver best possible outcomes and constrain the growth of demand.</p>
<b>Rating</b>		
High		
<b>Paragraph ref</b>	<p><b>Risk</b></p>	<p><b>Responsible officer:</b> Chief Officer, Edinburgh Health and Social Care Partnership</p>
230	<p>There is a risk that key indicators continue to decline. Delayed discharges mean that partnership resources are directed towards unnecessary acute care, rather than the preventative strategic priorities.</p> <p><b>Recommendation</b></p> <p>The council must ensure that effective scrutiny arrangements are in place to monitor and assess improvement.</p>	<p><b>Implementation date:</b> March 2019</p>

## Follow up of prior year recommendations

Of the eight recommendations raised within our 2017/18 annual audit report, we note that five have now been implemented, two have been partially implemented and one has yet to be implemented. Details are given below.

1. Authorisation of journals		
Initial rating	Issue & recommendation	Management comments
Medium	<p>During our review of the financial controls processes we noted a lack of segregation of duties in respect of the posting of journals. Journals are prepared and posted without any evidence of secondary review or authorisation. While our audit work did not identify any indications of management override, we recommend that arrangements are put in place to review or authorise year-end journals.</p>	<p>While, as noted in the main report, a range of compensating controls mitigating any risk of monetary gain is already in place, arrangements to introduce proportionate additional independent review will be examined with a view to implementation as part of the 2017/18 accounts closure process.</p> <p><b>Responsible Officer:</b> Corporate Finance Senior Manager</p> <p>Completion Date: <b>March 2018</b></p>
Current status	Audit update	Management response
Complete	<p>Year-end procedures have been modified to introduce proportionate evidenced review of all journals posted as part of the 2017/18 accounts closure process.</p>	N/A

## 2. Register of interests

Initial rating	Issue & recommendation	Management comments
<p><b>Medium</b></p>	<p>The council discloses within its annual accounts material transactions with related parties. These can be defined as bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.</p> <p>The councillors' register of interests is one way that the Council can identify its related parties. On review of the councillors' register of interests we identified four additional interests which had not been declared. There is a risk, should the registers not be updated, that the Council does not identify and report all related party transactions in its annual accounts.</p> <p>It is the responsibility of a councillor to make sure that he/she is familiar with, and their actions comply with, the provisions of the Code of Conduct. The Ethical Standards in Public Life, etc. (Scotland) Act 2000 does impose on Councils a duty to help their members to comply with the relevant code. Councillors should be reminded of the importance of ensuring the register of interests is updated regularly and completely</p>	<p>The council has robust arrangements to remind councillors of their duties under the Act.</p> <ul style="list-style-type: none"> <li>• We regularly review Elected Member Register of Interests;</li> <li>• Remind Elected Members of their responsibilities in registering any changes/updates within a month of the change occurring;</li> <li>• Check individual registers for anomalies that we can identify and highlight these to relevant elected members to prompt updates;</li> <li>• Regularly review our process;</li> <li>• Provide appropriate guidance and prompts to Elected Members to support compliance.</li> </ul> <p>For the new Council in May 2017:</p> <ul style="list-style-type: none"> <li>• We explained the requirement for Elected Members to make their first Register of Interest within one month of election in their introduction letter/pack issued at the count, with a copy of the Code of Conduct and the relevant form;</li> <li>• We emphasised the importance of this requirement in the Code of Conduct training sessions that formed part of the Induction and Training Programme for Elected Members (May/June 2017).</li> <li>• We reminded Elected Members ahead of the deadline (31 May 2017)</li> <li>• We engaged with political Group Business Managers to secure their support in reminding their members ahead of the deadline;</li> <li>• We issued additional guidance on declaring property income under remuneration following a couple of queries on this topic and after seeking clarification from the Standards Commission;</li> <li>• We reminded all Elected Members that they would need to update their Register of Interests to reflect</li> </ul>

## 2. Register of interests

Initial rating	Issue & recommendation	Management comments
		<p>appointments made at Council in June 2017;</p> <ul style="list-style-type: none"> <li>We reminded Elected Members of their responsibilities for updating their Register of Interests following further appointments at Council in August and to remind about registering gifts and hospitality.</li> </ul> <p>We will continue to remind regularly councillors of their duties under the Act.</p> <p><b>Responsible Officers:</b> Governance and Democratic Services Manager</p> <p>Councillors</p> <p><b>Completion Date:</b> Ongoing</p>
Current status	Audit update	Management response
<b>Partially complete</b>	<p>Despite actions been taken during 2017/18 to remind and support councillors in their responsibilities to maintain a register of interests, our review of the councillors' register of interests in 2017/18, identified eight councillors for which not all interests had been disclosed and a further six for which the registers had not been updated to reflect the fact that the interests had ceased.</p> <p>While it is the responsibility of a councillor to make sure that he/she is familiar with, and their actions comply with, the provisions of the Code of Conduct, the Ethical Standards in Public Life, etc. (Scotland) Act 2000 do impose on councils a duty to help their members to comply with the relevant code. We would encourage the council to consider the following:</p> <ul style="list-style-type: none"> <li>Request that councillors' review and update their register of interests on a formal basis at least twice a year; one of which should be done as at the 31 March 2018. Confirmation of no changes should also be obtained.</li> <li>Council staff should review the disclosures against, for example Companies House records, to ensure disclosures are complete and discuss with councillors any omissions identified with a view to updating the registers.</li> </ul>	<p>The Council continues to have robust arrangements to support elected members in fulfilling their duties under the Councillors' Code of Conduct. This includes a twice-yearly reminder and additional reminders after appointments at Council meetings.</p> <p>Officers have concerns over reviewing disclosures to Companies House with elected members as the responsibility for complying with the Code is for each individual member and the Council should not put in place arrangements that could dilute that ownership and responsibility. However, as a means of continuing to improve the process, committee management software is being explored that would simplify the process for elected members in updating their register which currently is a paper-based exercise.</p> <p><b>Responsible officer:</b> Democracy, Governance and Resilience Senior Manager</p> <p><b>Implementation date:</b> On-going</p>



### 3. Budget monitoring reports

Initial rating	Issue & Recommendation	Management Comments
<b>Medium</b>	<p>The council's Finance and Resources Committee receive quarterly revenue and capital monitoring reports throughout the financial year. The reports include a risk rated assessment of the achievement of savings, information on key variances and areas of financial risk. The reports are referred to the Governance, Risk and Best Value Committee for scrutiny.</p> <p>In our view there is scope to improve the transparency within financial monitoring reports by ensuring that revenue monitoring reports include consistent outturn projections throughout the year.</p>	<p>Based on a best-practice review reporting elsewhere, opportunities to improve further the clarity and transparency of existing financial reporting will be actively considered with a view to a phased implementation of any resulting changes.</p> <p>Opportunities to improve reporting and scrutiny of some areas of transformational activity, particularly within Health and Social Care, will also be examined.</p> <p><b>Responsible Officers:</b> Head of Finance</p> <p><b>Completion Date:</b> February 2018</p>
Current status	Audit update	Management response
<b>Complete</b>	<p>In a report to GRBV in May 2018, management reported that "due to other pressures, a revised report format, drawing on an analysis of best practice adopted elsewhere, will be presented to the Finance and Resources Committee's meeting on 16 August 2018 as part of the first quarter's revenue monitoring report".</p> <p>We confirmed that the report presented to Finance and Resources Committee in August 2018 has been updated.</p>	N/A

#### 4. People Plan

Initial rating	Issue & recommendation	Management comments
Medium	<p>The most recent People Strategy 2017-20 update (February 2017) sets a high level vision for the workforce.</p> <p>The more detailed People Plan requires to be finalised to support the Strategy. The Plan should set out how the council will manage the impact of any skills gaps.</p>	<p>People plans are an internal tool for senior business partners. These plans are currently being shared with Senior Management Teams for each of the main service areas. The plans will be finalised by end of September.</p> <p><b>Responsible Officer:</b> Head of Human Resources</p> <p><b>Completion Date:</b> September 2017</p>
Current status	Audit update	Management response
Complete	<p>People Plans are in place that chart a twelve-month outlook for each service area, detailing planned HR delivery and service initiatives which have a 'people' impact. Workforce dashboards are presented to the Finance and Resources Committee for scrutiny.</p>	N/A

#### 5. Edinburgh IJB Annual Performance Report

Initial rating	Issue & recommendation	Management comments
Medium	<p>We note that the Edinburgh IJB Annual Performance Report (July 2017) has not yet been considered by a council committee. The Corporate Policy and Strategy Committee provides scrutiny of the services delegated to the Integration Joint Board. The council should continue to monitor the effectiveness of scrutiny arrangements for services delegated by the IJB to ensure that they remain fit for purpose.</p>	<p>The Edinburgh IJB Annual Performance Report will be presented to the Corporate Policy and Strategy Committee on 3 October 2017.</p> <p><b>Responsible Officer:</b> Interim Chief Officer, Edinburgh Health and Social Care Partnership</p> <p><b>Completion Date:</b> October 2017</p>
Current status	Audit update	Management response
Complete	<p>The report was considered by the Corporate Policy and Strategy Committee on 3 October 2017.</p>	N/A

## 6. Publication of the council's Corporate Governance framework self-assessment

Initial rating	Issue & Recommendation	Management Comments
<p><b>Medium</b></p>	<p>In April 2016, CIPFA published a revised Delivering Good Governance in Local Government: Framework (2016 Edition). The council has a Local Code of Corporate Governance in place, but the annual self-assessment against the Code had not been undertaken at the time of our report.</p> <p>We also noted that the Annual Governance Statement was not subject to separate scrutiny by a committee as part of the preparations for the annual accounts process.</p>	<p>The council revised its Corporate Governance Framework self-assessment template to reflect the revised CIPFA/SOLACE framework. The 2016/17 self-assessment exercise commenced on 4 September 2017 and is scheduled for scrutiny by the Governance, Risk and Best Value Committee on 28 November 2017.</p> <p>As in previous years, the Annual Governance Statement was considered by Council on 29 June 2017. Given the local government election in May 2017 and the introduction of revised political management arrangements it would have been difficult to provide for separate scrutiny ahead of Council consideration.</p> <p><b>Responsible Officer:</b> Governance and Democratic Services Manager</p> <p><b>Completion Date:</b> November 2017</p>
Current status	Audit update	Management response
<p><b>Partially complete</b></p>	<p>It is good practice for the Audit Committee (GRBV at the council) to review the Annual Governance Statement and Assurance Statements as part of preparations for the annual accounts. We noted during our review in 2017/18 (refer to paragraph 169) that the Annual Governance Statement had not been subject to separate scrutiny.</p>	<p>The process for completion of the annual assurance statements and the Corporate Governance Framework is being reviewed and the new timescales will allow for early scrutiny of the assurance statements and annual governance statement for 2018/19.</p> <p><b>Responsible officer:</b> Democracy, Governance and Resilience Senior Manager</p> <p><b>Implementation date:</b> December 2018</p>

## 7. Development of performance management framework

Initial rating	Issue & Recommendation	Management Comments
<b>Medium</b>	<p>Each council will report a range of information setting out:</p> <ul style="list-style-type: none"> <li>• Its performance in improving local public services (including with partners)</li> <li>• Its performance in improving local outcomes (including with partners)</li> <li>• Its performance in engaging with communities and service users, and responding to their views and concerns</li> <li>• Its performance in achieving Best Value, including its use of performance benchmarking; options appraisal and use of resources.</li> </ul> <p>The Annual Performance Overview 2017, which would complete the suite of public performance reports for 2016-17 has yet to be submitted to the council.</p>	<p>A new performance management framework for the Council is being developed. Monitoring of performance will follow this new framework and will include all relevant benchmarking as well as service performance. The Council's overview of performance is also published in an enhanced format with trend information as well as service improvements and benchmarking.</p> <p><b>Responsible Officers:</b> Interim Strategy and Insight Senior Manager</p> <p><b>Completion Date:</b> March 2018</p>
Current status	Audit update	Management response
<b>Complete</b>	<p>The Performance Management Framework was approved by Council on 23 November 2017.</p> <p>The Annual Performance Overview for 2017/18 was presented to the council and Corporate Policy and Strategy Committee in August 2018.</p>	N/A

## 8. Delayed discharges

Initial rating	Issue & recommendation	Management comments
High	<p>The council's performance in relation to delayed discharges has continued to worsen in the period to June 2017 despite a focus being given to the issue.</p> <p>Edinburgh has regularly had the highest number of delayed discharges of any Integration Authority in Scotland.</p> <p>We recommend that improving performance in this area remains a priority.</p>	<p>Performance is closely monitored at:</p> <ul style="list-style-type: none"> <li>A weekly Star Chamber meeting of key managers from the four localities and hospital sites – progress, challenges being faced (e.g. reductions in provider capacity) and improvement actions are identified and discussed.</li> <li>The IJB, which receives a “Whole System Delays” report at each of its meetings. The report includes progress with key improvement workstreams, including reviewing the contract with care at home providers.</li> </ul> <p><b>Responsible Officers:</b> Interim Chief Officer, Edinburgh Health and Social Care Partnership NHS Director</p> <p><b>Completion Date:</b> December 2017</p>
Current status	Audit update	Management response
Incomplete	<p>We note that while a range of interventions have been taken to improve performance, the level of delayed discharges continues to significantly exceed target levels.</p>	<p>There is a large-scale remedy programme being undertaken across the entire Discharge Pathway, including:</p> <ul style="list-style-type: none"> <li>Whole-systems Delayed Discharge Oversight Group established and chaired by CO</li> <li>New dedicated Delayed Discharge Lead appointed</li> <li>Whole-system analysis and impact undertaken and Action Plan formulated with stretch timescales</li> <li>Realignment of delivery platform – including interface with acute services via the Hub – is in the process of being implemented</li> </ul> <p><b>Responsible Officer:</b> Chief Officer, Edinburgh Health and Social Care Partnership</p> <p><b>Completion Date:</b> August 2019</p>



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• EDINBURGH •  
THE CITY OF EDINBURGH COUNCIL

# 2017/2018

# AUDITED ANNUAL ACCOUNTS



• EDINBURGH •  
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# The City of Edinburgh Council

## Annual Accounts

Year to 31 March 2018

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# MANAGEMENT COMMENTARY

## Basis of Accounts

The Audited 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.

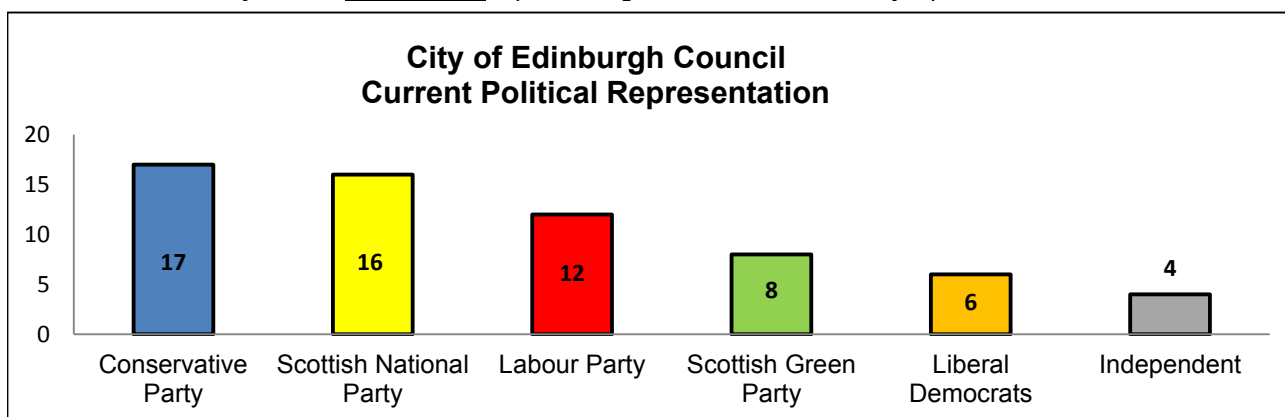
The Council has been undergoing a significant Transformation Programme which has revised the key services and their structure. The current structure is still evolving but the tables below indicate the latest position. For the period covered by these accounts, Safer and Stronger Communities was a separate 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 latest update went to Corporate Policy and Strategy on 7 August 2018.
- 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

The City of Edinburgh Council Performance 2017-18 was reported to Council on 23 August 2018.

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 (page 18).

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 2017/18 £000	Actual 2017/18 £000	(Under) / Over Spend £000
<b>General Fund services</b>	<b>822,581</b>	<b>822,083</b>	<b>(498)</b>
<b>Non-service specific areas</b>			
Loans charges / interest on revenue balances	111,762	110,545	(1,217)
Other non-service specific costs	18,516	19,604	1,088
Council Tax Reduction Scheme*	26,672	24,217	(2,455)
Centrally funded release costs	2,815	2,727	(88)
Net Cost of Benefits	(62)	(625)	(563)
Dividend and other interest received	(9,545)	(10,274)	(729)
<b>Non-service specific areas total</b>	<b>150,158</b>	<b>146,194</b>	<b>(3,964)</b>
<b>Movements in Reserves</b>			
Net contribution to / (from) earmarked funds*	2,943	5,398	2,455
Contribution to / (from) Repair and Renewals Fund	93	93	0
Contribution to / (from) Capital Fund	(1,899)	(1,899)	0
<b>Movements in Reserves total</b>	<b>1,137</b>	<b>3,592</b>	<b>2,455</b>
<b>Sources of funding</b>			
General Revenue Grant	(345,757)	(345,757)	0
Distribution from non-domestic rate pool	(355,063)	(355,063)	0
Council Tax	(273,056)	(273,465)	(409)
<b>Sources of funding total</b>	<b>(973,876)</b>	<b>(974,285)</b>	<b>(409)</b>
<b>Transfer to Council Priorities Fund</b>	<b>0</b>	<b>(2,416)</b>	<b>(2,416)</b>

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.

\*uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.455m were transferred to an earmarked reserve.

# 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:

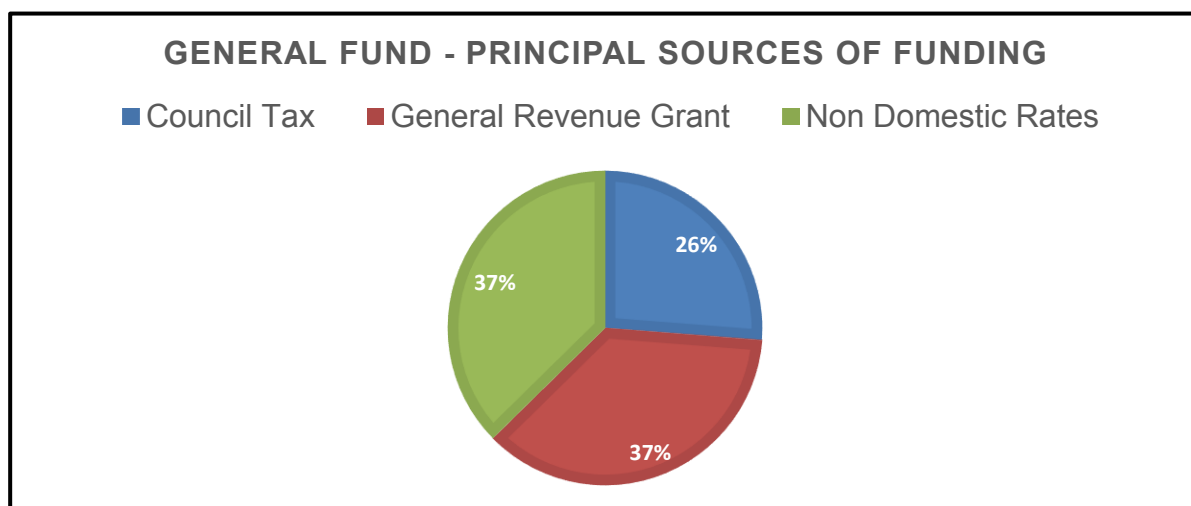
- There was an underspend within General Fund services of £0.498m. This position is expressed net of the £7.772m of supplementary funding made available during the year to address pressures within Health and Social Care and Safer and Stronger Communities, in turn reflecting additional Council Tax income 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:

	<b>£000</b>
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

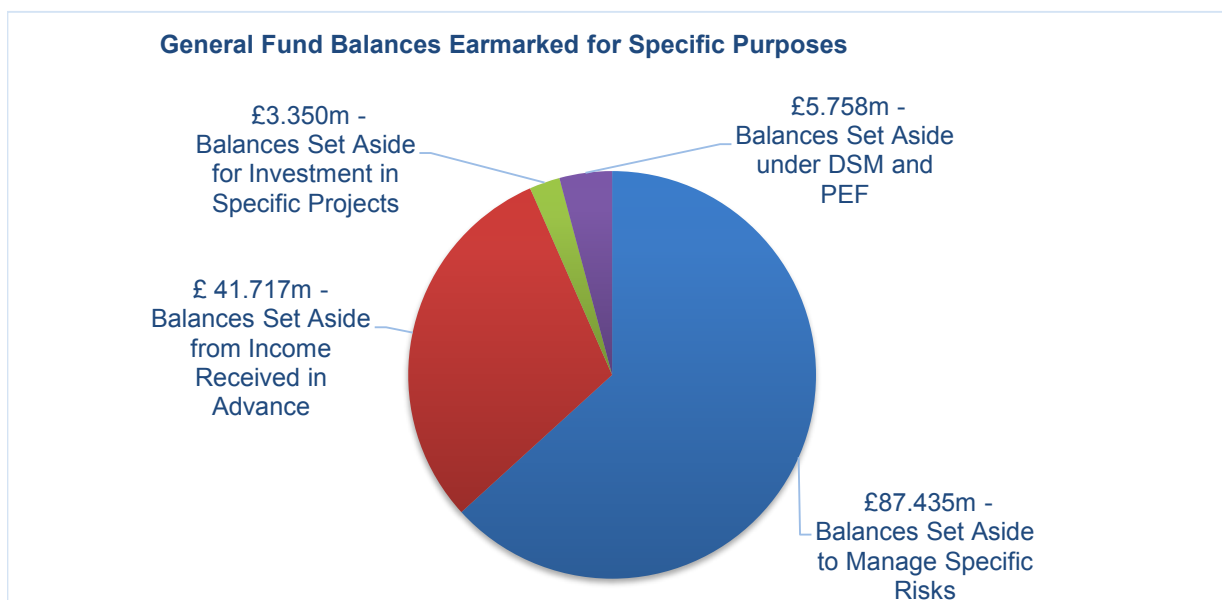
The Council's General Fund reserves comprise two elements:

- 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.

Since the start of transformation to 17 September 2018, staff accounting for approximately 1009 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 £43.2m and the overall payback is 13.5 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.

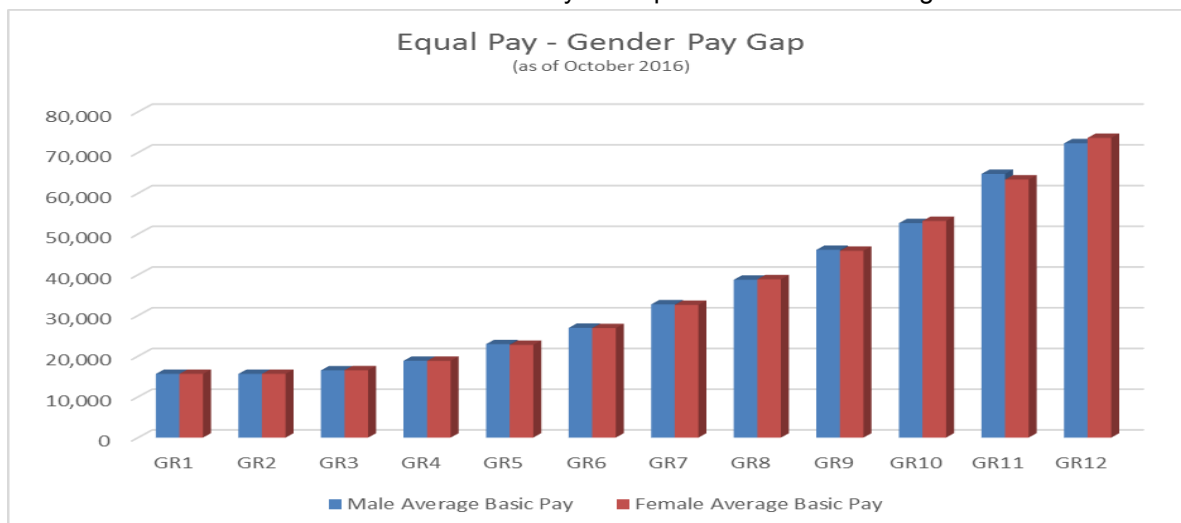
The Council is committed to the principle that all employees should receive equal pay for doing equal work, or work of equal value, regardless of age, sex, race, disability status, sexual orientation, religion or belief, working pattern, employment status, caring responsibilities or trade union membership. 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 (GR1 to GR12) 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.

<b>Council Tax</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Notes on Ratios</b>
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.
<b>Debt and Borrowing - Prudence</b>			<b>Notes on Ratios</b>
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.
<b>Debt and Borrowing - Affordability</b>			<b>Notes on Ratios</b>
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:

	<b>Revised Budget 2017/18 £000</b>	<b>Actual 2017/18 £000</b>	<b>(Slippage) / Acceleration £000</b>
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

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared, which consolidate the financial interests the Council has in subsidiaries, associates and joint ventures, where the interest is considered material. Note 9 details the interests the Council holds and further financial details about the entities.

### 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 audited 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 £428.245m (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.

ANDREW KERR  
Chief Executive

27 September 2018

STEPHEN S. MOIR  
Executive Director of Resources

27 September 2018

ADAM MCVEY  
Council Leader

27 September 2018



# 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.

I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 27 September 2018.

ADAM MCVEY  
Council Leader

27 September 2018

## 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

27 September 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.

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account Balance £000</b>	<b>Renewal and Repairs Fund £000</b>	
<b>2017/18</b>				
Balance at 31 March 2017	142,611	0	64,149	
<b>Movement in reserves during 2017/18</b>				
Total Comprehensive Income and Expenditure	(75,058)	14,469	0	
Adjustments between accounting basis and funding basis under regulations (Note 11)	86,748	(23,511)	0	
<b>Net increase / (decrease) before transfers to statutory reserves</b>	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)	
<b>Balance at 31 March 2018</b>	<b>151,285</b>	<b>0</b>	<b>58,123</b>	
	<b>Capital Grants Unapplied Account £000</b>	<b>Capital Fund £000</b>	<b>Council's Total Usable Reserves £000</b>	<b>Group Usable Reserves £000</b>
<b>2017/18</b>				
Balance at 31 March 2017	766	61,178	268,704	28,516
<b>Movement in reserves during 2017/18</b>				
Total Comprehensive Income and Expenditure	0	0	(60,589)	57,280
Adjustments between accounting basis and funding basis under regulations (Note 11)	4,030	2,379	69,646	0
<b>Net increase / (decrease) before transfers to statutory reserves</b>	4,030	2,380	9,058	57,280
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	(3,031)
Increase / (decrease) in year	4,030	2,380	9,058	54,249
<b>Balance at 31 March 2018</b>	<b>4,796</b>	<b>63,558</b>	<b>277,762</b>	<b>82,765</b>
	<b>Total Usable Reserves £000</b>	<b>Council's Unusable Reserves £000</b>	<b>Group Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>2017/18</b>				
Balance at 31 March 2017	297,220	1,511,573	112,678	1,921,471
<b>Movement in reserves during 2017/18</b>				
Total Comprehensive Income and Expenditure	(3,309)	529,625	3,722	530,038
Adjustments between accounting basis and funding basis under regulations (Note 11)	69,646	(69,646)	0	0
<b>Net increase / (decrease) before transfers to statutory reserves</b>	66,337	459,979	3,722	530,038
Transfer (to) / from other statutory reserves (Note 12.3)	(3,031)	0	3,031	0
Increase / (decrease) in year	63,306	459,979	6,753	530,038
<b>Balance at 31 March 2018</b>	<b>360,526</b>	<b>1,971,552</b>	<b>119,431</b>	<b>2,451,510</b>

## MOVEMENT IN RESERVES STATEMENT

<b>Re-stated 2016/17 Comparative Data</b>	<b>General Fund Balance £000</b>	<b>Housing Revenue Account Balance £000</b>	<b>Renewal and Repairs Fund £000</b>	
Balance at 31 March 2016	<u>128,396</u>	<u>0</u>	<u>38,194</u>	
<b>Movement in reserves during 2016/17</b>				
Total Comprehensive Income and Expenditure	145	17,995	0	
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>27,376</u>	<u>(6,109)</u>	<u>0</u>	
<b>Net increase / (decrease) before transfers to statutory reserves</b>	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>	
<b>Balance at 31 March 2017</b>	<b><u>142,611</u></b>	<b><u>0</u></b>	<b><u>64,149</u></b>	
	<b>Capital Grants Unapplied Account £000</b>	<b>Capital Fund £000</b>	<b>Council's Total Usable Reserves £000</b>	<b>Group Usable Reserves £000</b>
Balance at 31 March 2016	<u>2,657</u>	<u>68,793</u>	<u>238,040</u>	<u>40,418</u>
<b>Movement in reserves during 2016/17</b>				
Total Comprehensive Income and Expenditure	0	0	18,140	(12,522)
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>(1,891)</u>	<u>(7,615)</u>	<u>11,761</u>	<u>0</u>
<b>Net increase / (decrease) before transfers to statutory reserves</b>	(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>
<b>Balance at 31 March 2017</b>	<b><u>766</u></b>	<b><u>61,178</u></b>	<b><u>268,704</u></b>	<b><u>28,516</u></b>
	<b>Total Usable Reserves £000</b>	<b>Council's Unusable Reserves £000</b>	<b>Group Unusable Reserves £000</b>	<b>Total Reserves £000</b>
Balance at 31 March 2016	<u>278,458</u>	<u>1,731,418</u>	<u>111,243</u>	<u>2,121,119</u>
<b>Movement in reserves during 2016/17</b>				
Total Comprehensive Income and Expenditure	5,618	(207,321)	2,055	(199,648)
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>11,761</u>	<u>(11,761)</u>	<u>0</u>	<u>0</u>
<b>Net increase / (decrease) before transfers to statutory reserves</b>	17,379	(219,082)	2,055	(199,648)
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>1,435</u>	<u>(199,648)</u>
<b>Balance at 31 March 2017</b>	<b><u>297,220</u></b>	<b><u>1,511,573</u></b>	<b><u>112,678</u></b>	<b><u>1,921,471</u></b>

## 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
	<b>SERVICES</b>				
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		75,273	(101,445)	(26,172)
188,959	Health and Social Care		481,579	(279,186)	202,393
153,220	Resources		266,123	(43,647)	222,476
41,920	Chief Executive		13,331	(2,198)	11,133
25,621	Safer and Stronger Communities		83,696	(51,334)	32,362
3,744	Lothian Valuation Joint Board		3,741	(112)	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		25,098	1,200	26,298
(13,947)	Subsidiary Companies		169,592	(177,437)	(7,845)
880,755	<b>COST OF SERVICES</b>		<u>2,031,154</u>	<u>(1,051,363)</u>	979,791
(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)
(32,769)	<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>				52,289
273	Associates and Joint Ventures Accounted for on an Equity Basis				3,339
1,895	Taxation of Group entities	15.			2,106
(30,601)	<b>GROUP (SURPLUS) / DEFICIT</b>				<u>57,734</u>
(40,474)	Surplus on Revaluation of Non-Current Assets			(255,820)	
(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			77,350	
672,917	Changes in Financial and Demographic Assumptions / Other Experience			(351,162)	
26,528	Other Unrealised (Gains) / Losses			(58,126)	
230,249	Other Comprehensive Income and Expend.				(587,772)
199,648	<b>TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE</b>				<u>(530,038)</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		75,273	(101,445)	(26,172)
188,959	Health and Social Care		481,579	(279,186)	202,393
153,220	Resources		266,123	(43,647)	222,476
41,920	Chief Executive		13,331	(2,198)	11,133
25,621	Safer and Stronger Communities		83,696	(51,334)	32,362
3,744	Lothian Valuation Joint Board		3,741	(112)	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		25,098	1,200	26,298
<b>894,702</b>	<b>COST OF SERVICES</b>		<b>1,861,562</b>	<b>(873,926)</b>	<b>987,636</b>
(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)
(18,140)	<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>				<b>60,589</b>
(40,473)	Surplus on Revaluation of Non-Current Assets			(255,820)	
(428,706)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			77,350	
672,917	Changes in Financial and Demographic Assumptions / Other Experience			(351,162)	
3,583	Other Unrealised Losses			7	
207,321	Other Comprehensive Income and Expend.				(529,625)
<b>189,181</b>	<b>TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE</b>				<b>(469,036)</b>

### 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)	(469,036)
(6,197)	Subsidiary and associate transactions included in the Council's CIES	(6,941)
10,030	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(49,768)
6,634	Associates and Joint Ventures	(4,293)
<b>199,648</b>	<b>Group total Comprehensive (Income) / Expenditure for the year</b>	<b>(530,038)</b>

## 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.

<b>Re-stated 31 March 2017 £000</b>		<b>Notes</b>	<b>31 March 2018 £000</b>	<b>£000</b>
2,665	Intangible Assets	18.		1,444
1,024,223	Council Dwellings		1,029,398	
1,715,608	Other Land and Buildings		1,966,912	
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>	<b>Property, Plant and Equipment</b>	16.		4,047,483
16,821	Investment Properties	17.		18,321
31,127	Heritage Assets	19.		30,885
13,498	Assets Held for Sale	24.		2,580
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
<u>106,970</u>	Long-Term Debtors	22.		<u>99,830</u>
<u>4,033,063</u>	<b>Long-Term Assets</b>			<u>4,298,739</u>
26,477	Short-Term Investments		21,757	
29,359	Assets Held for Sale	24.	20,126	
967	Available for Sale Financial Assets	20.	26,836	
16,166	Inventories	21.	13,958	
100,939	Short-Term Debtors	22.	130,199	
<u>159,831</u>	Cash and Cash Equivalents	23.	<u>137,022</u>	
<u>333,739</u>	<b>Current Assets</b>			349,898
(70,334)	Short-Term Borrowing		(70,945)	
(167,067)	Short-Term Creditors	25.	(176,797)	
<u>(12,863)</u>	Provisions	26.	<u>(29,272)</u>	
<u>(250,264)</u>	<b>Current Liabilities</b>			<u>(277,014)</u>

## GROUP BALANCE SHEET

Re-stated 31 March 2017		31 March 2018	
£000	Notes	£000	£000
(1,241,014)	Long-Term Borrowing	(1,187,742)	
(205,700)	Other Long-Term Liabilities	(204,720)	
(5,490)	Deferred Tax	(16,452)	
(22,707)	Deferred Liability	20. (25,223)	
(9,574)	Liabilities in Associates and Joint Ventures	(2,916)	
<u>(710,582)</u>	Other Long-Term Liabilities (Pensions)	<u>(483,060)</u>	
<u>(2,195,067)</u>	<b>Long-Term Liabilities</b>		<u>(1,920,113)</u>
<u><b>1,921,471</b></u>	<b>Net Assets</b>		<u><b>2,451,510</b></u>
873,986	Revaluation Reserve	1,108,975	
1,402,884	Capital Adjustment Account	1,403,298	
(45,390)	Financial Instruments Adjustment Account	(43,467)	
(705,786)	Pensions Reserve	(482,493)	
(14,121)	Employee Statutory Adjustment Account	(14,761)	
<u>112,678</u>	Group Unusable Reserves	<u>119,431</u>	
<u>1,624,251</u>	<b>Unusable Reserves</b>	28.	2,090,983
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>82,765</u>	
<u>297,220</u>	<b>Usable Reserves</b>	12.	360,527
<u><b>1,921,471</b></u>	<b>Total Reserves</b>		<u><b>2,451,510</b></u>

The unaudited accounts were issued on 15 June 2018. The audited accounts were authorised for issue on 27 September 2018.

HUGH DUNN, CPFA  
Head of Finance  
27 September 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'.

<b>Re-stated 31 March 2017 £000</b>		<b>Notes</b>	<b>31 March 2018</b>	
			<b>£000</b>	<b>£000</b>
2,665	Intangible Assets	18.		1,444
1,024,223	Council Dwellings		1,029,398	
1,684,809	Other Land and Buildings		1,936,311	
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>	<b>Property, Plant and Equipment</b>	16.		3,923,749
16,471	Investment Properties	17.		17,891
31,127	Heritage Assets	19.		30,885
13,498	Assets Held for Sale	24.		2,580
23,436	Long-Term Investments	20.		20,280
<u>111,684</u>	Long-Term Debtors	22.		<u>106,275</u>
<u>3,907,901</u>	<b>Long-Term Assets</b>			<u>4,103,104</u>
25,709	Short-Term Investments	20.	20,722	
29,359	Assets Held for Sale	24.	20,126	
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>	<b>Current Assets</b>			297,524
(70,334)	Short-Term Borrowing	20.	(70,946)	
(140,196)	Short-Term Creditors	25.	(149,750)	
<u>(10,551)</u>	Provisions	26.	<u>(25,431)</u>	
<u>(221,081)</u>	<b>Current Liabilities</b>			(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>(482,493)</u>	
<u>(2,187,165)</u>	<b>Long-Term Liabilities</b>			<u>(1,905,187)</u>
<u><b>1,780,277</b></u>	<b>Net Assets</b>			<u><b>2,249,314</b></u>
873,986	Revaluation Reserve		1,108,975	
1,402,884	Capital Adjustment Account		1,403,298	
(45,390)	Financial Instruments Adjustment Account		(43,467)	
(705,786)	Pensions Reserve		(482,493)	
<u>(14,121)</u>	Employee Statutory Adjustment Account		<u>(14,761)</u>	
<u>1,511,573</u>	<b>Unusable Reserves</b>	28.		1,971,552
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>	<b>Usable Reserves</b>	12.		277,762
<u><b>1,780,277</b></u>	<b>Total Reserves</b>			<u><b>2,249,314</b></u>

The unaudited accounts were issued on 15 June 2018. The audited accounts were authorised for issue on 27 September 2018.

HUGH DUNN, CPFA  
Head of Finance  
27 September 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
	<b>Operating Activities</b>		
(32,769)	Surplus on the Provision of Services		52,289
1,895	Adjustment to Surplus / (Deficit) for Taxation of Group entities		2,106
(164,271)	Adjustments to Surplus on the Provision of Services for non-cash movements		(281,640)
(39,444)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities		(17,303)
<u>(234,589)</u>	Net cash flows from operating activities	29.	<u>(244,548)</u>
	<b>Investing Activities</b>		
140,427	Net cash flows from investing activities	31.	202,805
	<b>Financing Activities</b>		
<u>53,043</u>	Net cash flows from financing activities	32.	<u>64,552</u>
<u>(41,119)</u>	<b>Net increase in cash and cash equivalents</b>		<u>22,809</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>(137,022)</u>
<u>(41,119)</u>	<b>Net increase in cash and cash equivalents</b>		<u>22,809</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	£000
	<b>Operating Activities</b>			
(18,140)	Surplus on the Provision of Services		60,589	
(150,053)	Adjustments to Surplus on the Provision of Services for non-cash movements		(268,582)	
(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>
	<b>Investing Activities</b>			
120,978	Net cash flows from investing activities	31.		179,919
	<b>Financing Activities</b>			
<u>52,242</u>	Net cash flows from financing activities	32.		<u>65,540</u>
<u>(35,151)</u>	<b>Net increase in cash and cash equivalents</b>			<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>	<b>Net increase in cash and cash equivalents</b>			<u>19,737</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

The Annual Accounts summarises the authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

### 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.

- **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	70,449	86,109	156,558
Health and Social Care Resources	0	(26,172)	(26,172)
Chief Executive	193,273	9,120	202,393
Safer and Stronger Communities	170,304	52,172	222,476
Lothian Valuation Joint Board	11,019	114	11,133
	30,470	1,892	32,362
	3,629	0	3,629
<b>Cost of Services</b>	<b>822,084</b>	<b>137,064</b>	<b>959,148</b>
<b>Other income and expenditure</b>			
Early release costs	2,727	88	2,815
Net cost of benefits	(625)	0	(625)
Other non-service specific costs	19,604	6,694	26,298
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)
<b>(Surplus) / Deficit on the provision of services</b>	<b>(2,416)</b>	<b>63,005</b>	<b>60,589</b>
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	22,360	153,220
Lothian Valuation Joint Board	41,302	618	41,920
	25,486	135	25,621
	3,744	0	3,744
<b>Cost of Services</b>	<b>799,402</b>	<b>77,811</b>	<b>877,213</b>
<b>Other income and expenditure</b>			
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)
<b>Surplus on the provision of services</b>	<b>(1,058)</b>	<b>(17,082)</b>	<b>(18,140)</b>
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	(35,443)	768	(539)	(35,214)
Chief Executive	233	7,490	41	7,764
Safer and Stronger Communities	65,091	7,408	221	72,720
	9	236	(91)	154
	0	1,910	(27)	1,883
<b>Cost of Services</b>	<b>106,568</b>	<b>35,744</b>	<b>99</b>	<b>142,411</b>
<b>Other income and expenditure</b>				
Other non-service specific costs	16,350	(3,987)	3	12,366
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)
<b>Total Adjustments</b>	<b>12,837</b>	<b>50,519</b>	<b>(2,710)</b>	<b>60,646</b>

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	(35,214)	0	9,042	(26,172)
Chief Executive	7,764	(527)	1,883	9,120
Safer and Stronger Communities	72,720	(16,632)	(3,916)	52,172
	154	39	(79)	114
	1,883	75	(66)	1,892
<b>Cost of Services</b>	<b>142,411</b>	<b>(15,755)</b>	<b>10,408</b>	<b>137,064</b>
<b>Other income and expenditure</b>				
Early release costs	0	88	0	88
Other non-service specific costs	12,366	(1,296)	(4,376)	6,694
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)
<b>Total Adjustments</b>	<b>60,646</b>	<b>0</b>	<b>2,359</b>	<b>63,005</b>

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
<b>2016/17 Comparative Data</b>				
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	43,183	976	(188)	43,971
	1,325	35	95	1,455
	0	264	(135)	129
<b>Cost of Services</b>	<b>104,710</b>	<b>4,871</b>	<b>(1,418)</b>	<b>108,163</b>
<b>Other income and expenditure</b>				
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)
<b>Total Adjustments</b>	<b>(1,829)</b>	<b>22,635</b>	<b>(1,860)</b>	<b>18,946</b>

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

	<b>Total Statutory Adjusts. b/fwd £000</b>	<b>Presentation Adjusts. £000</b>	<b>Use of Reserves £000</b>	<b>Total Adjusts. £000</b>
<b>2016/17 Comparative Data</b>				
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	43,971	(16,469)	(5,142)	22,360
	1,455	0	(837)	618
	129	0	6	135
<b>Cost of Services</b>	<b>108,163</b>	<b>(16,541)</b>	<b>(13,811)</b>	<b>77,811</b>
<b>Other income and expenditure</b>				
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)
<b>Total Adjustments</b>	<b>18,946</b>	<b>0</b>	<b>(36,028)</b>	<b>(17,082)</b>

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
<b>Expenditure</b>				
Employee expenses	266,856	77,709	8,142	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
<b>Total Expenditure</b>	<b>376,973</b>	<b>254,621</b>	<b>111,912</b>	<b>281,121</b>
<b>Income</b>				
Revenues from external customers	(7,128)	(125,641)	(99,542)	(19,494)
Income from recharges for services	(27)	(419)	(208)	0
Government grants and other contribs.	(26,878)	(58,112)	(12,105)	(68,354)
Interest and investment income	0	0	(57)	0
<b>Total Income</b>	<b>(34,033)</b>	<b>(184,172)</b>	<b>(111,912)</b>	<b>(87,848)</b>
<b>Cost of Services</b>	<b>342,940</b>	<b>70,449</b>	<b>0</b>	<b>193,273</b>
	<b>Resources</b>	<b>Chief Executive</b>	<b>Safer and Stronger Communities</b>	<b>Lothian Valuation Joint Board</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee expenses	71,834	7,697	19,354	0
Other service expenses	129,339	5,613	62,565	3,741
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
<b>Total Expenditure</b>	<b>219,686</b>	<b>13,310</b>	<b>81,919</b>	<b>3,741</b>
<b>Income</b>				
Revenues from external customers	(28,001)	(410)	(38,026)	(112)
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
<b>Total Income</b>	<b>(49,382)</b>	<b>(2,291)</b>	<b>(51,449)</b>	<b>(112)</b>
<b>Cost of Services</b>	<b>170,304</b>	<b>11,019</b>	<b>30,470</b>	<b>3,629</b>
	<b>Council Total</b>	<b>Subsidiaries</b>	<b>Associates and Joint Ventures</b>	<b>Group Total</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee expenses	537,388	98,306	0	635,694
Other service expenses	722,510	61,143	0	783,653
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
<b>Total Expenditure</b>	<b>1,343,283</b>	<b>169,592</b>	<b>5,790</b>	<b>1,518,665</b>
<b>Income</b>				
Revenues from external customers	(318,354)	(146,468)	0	(464,822)
Income from recharges for services	(10,380)	0	0	(10,380)
Government grants and other contribs.	(192,408)	(30,969)	0	(223,377)
Interest and investment income	(57)	0	0	(57)
Net income from Associates and Joint Ventures	0	0	(2,451)	(2,451)
<b>Total Income</b>	<b>(521,199)</b>	<b>(177,437)</b>	<b>(2,451)</b>	<b>(701,087)</b>
<b>Cost of Services</b>	<b>822,084</b>	<b>(7,845)</b>	<b>3,339</b>	<b>817,578</b>

## 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	Communities and Families		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
<b>Expenditure</b>				
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
<b>Total Expenditure</b>	<b>367,395</b>	<b>244,419</b>	<b>90,650</b>	<b>271,108</b>
<b>Income</b>				
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
<b>Total Income</b>	<b>(25,588)</b>	<b>(176,054)</b>	<b>(90,650)</b>	<b>(83,270)</b>
<b>Cost of Services</b>	<b>341,807</b>	<b>68,365</b>	<b>0</b>	<b>187,838</b>

2016/17 Comparative Data	Resources	Safer and Stronger Communities		Lothian Valuation Joint Board
		Chief Executive	£000	£000
<b>Expenditure</b>				
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
<b>Total Expenditure</b>	<b>175,225</b>	<b>47,622</b>	<b>73,567</b>	<b>3,744</b>
<b>Income</b>				
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
<b>Total Income</b>	<b>(44,365)</b>	<b>(6,320)</b>	<b>(48,081)</b>	<b>0</b>
<b>Cost of Services</b>	<b>130,860</b>	<b>41,302</b>	<b>25,486</b>	<b>3,744</b>

2016/17 Comparative Data	Council Total	Subsidiaries	Associates and Joint Ventures	
			Ventures	Group Total
<b>Expenditure</b>				
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
<b>Total Expenditure</b>	<b>1,273,730</b>	<b>158,684</b>	<b>2,222</b>	<b>1,434,636</b>
<b>Income</b>				
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)
<b>Total Income</b>	<b>(474,328)</b>	<b>(172,631)</b>	<b>(1,949)</b>	<b>(648,908)</b>
<b>Cost of Services</b>	<b>799,402</b>	<b>(13,947)</b>	<b>273</b>	<b>785,728</b>

## 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
<b>Expenditure</b>		
Employee expenses	681,538	645,753
Other service expenses	1,143,754	918,315
Support service recharges	7,452	8,513
Depreciation, amortisation and impairment	200,477	160,887
Interest payments	192,026	197,097
Net Interest in the profit/loss of associates and joint ventures	3,339	273
<b>Total Expenditure</b>	<b><u>2,228,586</u></b>	<b><u>1,930,838</u></b>
<b>Income</b>		
Fees, charges and other service income	(903,257)	(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)
<b>Total Income</b>	<b><u>(2,170,852)</u></b>	<b><u>(1,961,439)</u></b>
<b>Group (Surplus) / Deficit</b>	<b><u>57,734</u></b>	<b><u>(30,601)</u></b>

#### 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
<b>Expenditure</b>		
Employee expenses	583,232	553,219
Other service expenses	1,080,586	859,628
Support service recharges	7,452	8,513
Depreciation, amortisation and impairment	190,334	151,678
Interest payments	178,891	182,465
<b>Total Expenditure</b>	<b><u>2,040,495</u></b>	<b><u>1,755,503</u></b>
<b>Income</b>		
Fees, charges and other service income	(696,318)	(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)
<b>Total Income</b>	<b><u>(1,979,906)</u></b>	<b><u>(1,773,643)</u></b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b><u>60,589</u></b>	<b><u>(18,140)</u></b>

## 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 notes 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 (in Other Provisions) 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

On 28 June 2018 Council approved providing a formal pension guarantee to Lothian Pension Funds on behalf of Lothian Buses, to enable them to take advantage of the Funds low-risk strategy benefits. Acting as guarantor will not impact on the Council, provided Lothian Buses Limited meets its pension liabilities, as they fall due.

The Pension Fund liability included in the Unaudited Annual Accounts was based on an actuarial valuation prepared by Lothian Pension Funds' actuaries, Hymans Robertson. This was based on information provided by the Administering Authority as at 31 December 2017, allowing for index returns where necessary. Following review of the Unaudited Accounts of Lothian Pension Fund, updated information on the valuation of the Council's share of fund assets was provided, which resulted in an increase in the Council's share of asset values and a consequent decrease in the Pension Fund liability of £45.866 million.

## 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:

<b>Subsidiaries:</b>	<b>Shareholding</b>	
• CEC Holdings Limited	100.00%	
• Transport for Edinburgh Limited	100.00%	
<b>Associates:</b>		
• 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%	
<b>Joint Venture</b>	<b>Interest</b>	
• Edinburgh Integration Joint Board	50.00%	Board representation
<b>Trusts:</b>		
• 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:

	<b>Shareholding</b>
• 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 audited results of the company are as follows:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
Net assets	1,267	877
Net (profit) / loss before taxation	(258)	(16)
Retained profit / (loss) carried forward	190	(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 audited results of the company are as follows:	<b>31.12.17</b>	<b>(re-stated) 31.12.16</b>
	<b>£000</b>	<b>£000</b>
Net assets	17,263	19,090
Net (profit) / loss before taxation	3,648	(464)
Retained profit / (loss) carried forward	(51,338)	(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:

	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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 audited results of the company are as follows:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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 audited results of the company are as follows:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
Net assets	229	284
Net (profit) / loss before taxation	55	(23)
Retained profit / (loss) carried forward	229	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:

	<b>31.12.17</b>	<b>31.12.16</b>
	<b>£000</b>	<b>£000</b>
<b>Transport for Edinburgh Limited (Consolidated Group)</b>		
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 most recent audited results of the company are as follows:	<b>31.12.17</b>	<b>31.12.16</b>
	<b>£000</b>	<b>£000</b>
Net assets	18	0
Net (profit) / loss before taxation	34	0
Retained profit / (loss) carried forward	18	0

## 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 audited results of the company are as follows:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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:

	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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:

	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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.

	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
Deficit for the year	1,121	145
Net Liabilities	(4,769)	(10,940)
Usable reserves	798	1,011
Unusable reserves	<u>(5,567)</u>	<u>(11,951)</u>
Total reserves	<u>(4,769)</u>	<u>(10,940)</u>

The group share of the results of the Lothian Valuation Joint Board, based on a 61.15% (2016/17 61.19%) funding percentage is as follows:

	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
Funding - requisitions	(3,741)	(3,744)
Other income	<u>(1,027)</u>	<u>(1,320)</u>
Total income	<u>(4,768)</u>	<u>(5,064)</u>
Deficit for the year	<u>685</u>	<u>89</u>
Net liabilities	<u>(2,916)</u>	<u>(6,694)</u>
Usable reserves	488	619
Unusable reserves	<u>(3,404)</u>	<u>(7,313)</u>
Total reserves	<u>(2,916)</u>	<u>(6,694)</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.

	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
The most recent audited 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 audited.

#### 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 £202.196m (2016/17 £141.194m) 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
<b>2017/18</b>			
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	167,712	21,356	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
<b>Insertion of items not debited or credited to the CIES</b>			
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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,393)	(536)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	108,133	2,377	0
Employer's pension contributions and direct payments to pensioners payable in the year	(58,864)	(1,128)	0
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
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
<b>Total Adjustments</b>	<b>86,748</b>	<b>(23,511)</b>	<b>0</b>



# 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	
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	0	0	(189,068)
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)
<b>Insertion of items not debited or credited to the CIES</b>	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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	(21)	0	21
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
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
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,929
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(110,510)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	59,992
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
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)
<b>Total Adjustments</b>	<b>4,030</b>	<b>2,379</b>	<b>(69,646)</b>

# 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
<b>2016/17 Comparative Data</b>			
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	131,514	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
<b>Insertion of items not debited or credited to the CIES</b>			
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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,400)	(498)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
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
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
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
<b>Total Adjustments</b>	<b>27,376</b>	<b>(6,109)</b>	<b>0</b>

## 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	
<b>2016/17 Comparative Data</b>			
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	0	0	(150,458)
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)
<b>Insertion of items not debited or credited to the CIES</b>	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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,905)	0	1,905
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
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
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,898
<b>Adjustments primarily involving the Pensions Reserve</b>			
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
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
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
<b>Total Adjustments</b>	<b>(1,891)</b>	<b>(7,615)</b>	<b>(11,761)</b>

## 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.

	<b>Balance at 01.04.17 £000</b>	<b>Net Transfers Out 2017/18 £000</b>	<b>Net Transfers In 2017/18 £000</b>	<b>Balance at 31.03.18 £000</b>
<b>Group Reserves</b>				
<b>Subsidiaries</b>				
CEC Holdings Limited				
Revenue reserves	(51,410)	0	72	(51,338)
Capital grants unapplied account	2,262	(459)	0	1,803
Transport for Edinburgh Limited				
Revenue reserves	69,708	0	54,144	123,852
<b>Total Usable Reserves - Subsidiaries</b>	<b>20,560</b>	<b>(459)</b>	<b>54,216</b>	<b>74,317</b>
<b>Associates and Joint Ventures</b>				
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
<b>Total Usable Reserves - Associates and Joint Ventures</b>	<b>7,956</b>	<b>(5,007)</b>	<b>5,499</b>	<b>8,448</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>28,516</b>	<b>(5,466)</b>	<b>59,715</b>	<b>82,765</b>

## 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
<b>Group Reserves</b>				
<b>Subsidiaries</b>				
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
<b>Total Usable Reserves - Subsidiaries</b>	<b>29,617</b>	<b>(9,008)</b>	<b>(49)</b>	<b>20,560</b>
<b>Associates and Joint Ventures</b>				
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
<b>Total Usable Reserves - Associates and Joint Ventures</b>	<b>10,801</b>	<b>(4,954)</b>	<b>2,109</b>	<b>7,956</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>40,418</b>	<b>(13,962)</b>	<b>2,060</b>	<b>28,516</b>

## 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
<b>Council's Usable Reserves</b>				
<b>General Fund</b>				
<b>Balances Set Aside to Manage Financial Risks and for Specific Investment</b>				
Balances set aside for specific inv.	25,659	(8,813)	23,803	40,649
Council Priorities Fund	4,886	(1,312)	4,117	7,691
Contingency funding, workforce mgmt.	18,094	0	49	18,143
Dilapidations Fund	12,344	(9,267)	2,000	5,077
Insurance Funds	14,666	(17)	1,226	15,875
	<u>75,649</u>	<u>(19,409)</u>	<u>31,195</u>	<u>87,435</u>
<b>Balances Set Aside from Income Received in Advance</b>				
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
Other earmarked balances	236	(18)	0	218
City Strategic Investment Fund	6,180	(768)	49	5,461
	<u>43,789</u>	<u>(7,831)</u>	<u>5,760</u>	<u>41,718</u>
<b>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</b>				
Energy Efficiency Fund	98	0	80	178
Spend to Save Fund and similar projects	7,362	(4,418)	227	3,171
	<u>7,460</u>	<u>(4,418)</u>	<u>307</u>	<u>3,349</u>
<b>Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund</b>				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	2,688	(2,688)	5,758	5,758
<b>Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund</b>				
	0	(432)	432	0
<b>Unallocated General Fund</b>				
	13,025	0	0	13,025
<b>Total General Fund</b>				
	<u>142,611</u>	<u>(34,778)</u>	<u>43,452</u>	<u>151,285</u>
<b>Housing Revenue Account Balance</b>				
	<u>0</u>	<u>(432)</u>	<u>432</u>	<u>0</u>
<b>Renewal and Repairs Fund</b>				
	<u>64,149</u>	<u>(9,474)</u>	<u>3,448</u>	<u>58,123</u>
<b>Capital Fund</b>				
	<u>61,178</u>	<u>(2,513)</u>	<u>4,893</u>	<u>63,558</u>
<b>Capital Receipts Reserve</b>				
	<u>0</u>	<u>(21,879)</u>	<u>21,879</u>	<u>0</u>
<b>Capital Grants Unapplied Account</b>				
	<u>766</u>	<u>(21)</u>	<u>4,051</u>	<u>4,796</u>
<b>Total Usable Reserves - Council</b>				
	<u>268,704</u>	<u>(69,097)</u>	<u>78,155</u>	<u>277,762</u>
<b>Total Usable Reserves - Group</b>				
	<u>297,220</u>	<u>(74,563)</u>	<u>137,870</u>	<u>360,527</u>

## 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
<b>General Fund</b>				
<b>Balances Set Aside to Manage Financial Risks and for Specific Investment</b>				
Balances set aside for specific inv.	12,565	(4,011)	17,105	25,659
Council Priorities Fund	1,128	0	3,758	4,886
Contingency funding, workforce mgmt.	18,075	0	19	18,094
Dilapidations Fund	12,094	(450)	700	12,344
Insurance Funds	13,539	(99)	1,226	14,666
	<u>57,401</u>	<u>(4,560)</u>	<u>22,808</u>	<u>75,649</u>
<b>Balances Set Aside from Income Received in Advance</b>				
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
Other earmarked balances	240	(17)	13	236
City Strategic Investment Fund	7,458	(1,278)	0	6,180
	<u>47,303</u>	<u>(11,057)</u>	<u>7,543</u>	<u>43,789</u>
<b>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</b>				
Energy Efficiency Fund	846	(830)	82	98
Spend to Save Fund and similar projects	7,017	(1,558)	1,903	7,362
	<u>7,863</u>	<u>(2,388)</u>	<u>1,985</u>	<u>7,460</u>
<b>Balances Set Aside under Devolved School Management Scheme</b>				
Balances held by schools under DSM	2,804	(2,804)	2,688	2,688
	<u>2,804</u>	<u>(2,804)</u>	<u>2,688</u>	<u>2,688</u>
<b>Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund</b>				
	0	(11,886)	11,886	0
<b>Unallocated General Fund</b>				
	13,025	0	0	13,025
<b>Total General Fund</b>				
	<u>128,396</u>	<u>(32,695)</u>	<u>46,910</u>	<u>142,611</u>
<b>Housing Revenue Account Balance</b>				
	0	(11,886)	11,886	0
<b>Renewal and Repairs Fund</b>				
	38,194	0	25,955	64,149
<b>Capital Fund</b>				
	68,793	(8,165)	550	61,178
<b>Capital Receipts Reserve</b>				
	0	(27,922)	27,922	0
<b>Capital Grants Unapplied Account</b>				
	2,657	(1,905)	14	766
<b>Total Usable Reserves - Council</b>				
	<u>238,040</u>	<u>(82,573)</u>	<u>113,237</u>	<u>268,704</u>
<b>Total Usable Reserves - Group</b>				
	<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

<b>2017/18</b>	<b>General Fund £000</b>	<b>HRA Balance £000</b>	<b>Renewal / Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>	
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>	
	<b>Capital Grants Unapplied £000</b>	<b>Capital Fund £000</b>	<b>Group Usable Reserves £000</b>	<b>Total £000</b>	
Transfers out	(21)	(2,513)	(5,466)	<b>(74,563)</b>	
Transfers in	4,051	4,893	59,715	<b>137,870</b>	
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,249</u>	<u><b>63,307</b></u>	
Recognised in Comprehensive Income and Expenditure Statement	4,030	2,380	57,280	<b>66,338</b>	
Transfers to other earmarked reserves	<u>0</u>	<u>0</u>	<u>(3,031)</u>	<u><b>(3,031)</b></u>	
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,249</u>	<u><b>63,307</b></u>	
	<b>General Fund £000</b>	<b>HRA Balance £000</b>	<b>Renewal / Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>	
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>	
	<b>2016/17 Comparative Data</b>	<b>General Fund £000</b>	<b>HRA Balance £000</b>	<b>Renewal / Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>
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)	<b>(96,535)</b>
Transfers in	14	550	2,060	<b>115,297</b>
Total movements in fund	<u>(1,891)</u>	<u>(7,615)</u>	<u>(11,902)</u>	<b><u>18,762</u></b>
Recognised in Comprehensive Income and Expenditure Statement	(1,891)	(7,615)	(12,522)	<b>17,379</b>
Transfers to other earmarked reserves	0	0	620	<b>1,383</b>
Total movements in fund	<u>(1,891)</u>	<u>(7,615)</u>	<u>(11,902)</u>	<b><u>18,762</u></b>

### 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	2,106	0	1,895	0
	<u>(1,024,560)</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
<b>Cost or Valuation</b>				
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)	198,430	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(52,970)	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>2,075,364</u>	<u>323,984</u>	<u>1,431,378</u>
<b>Accumulated Depreciation and Impairment</b>				
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	63,191	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,098	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>(108,452)</u>	<u>(142,816)</u>	<u>(633,143)</u>
<b>Net book value</b>				
At 31 March 2018	<u>1,029,398</u>	<u>1,966,912</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
<b>Cost or Valuation</b>				
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	192,391
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(58,711)
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>5,003,494</u>
<b>Accumulated Depreciation and Impairment</b>				
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	63,432
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,102
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>(956,011)</u>
<b>Net book value</b>				
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,047,483</u>
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>3,816,747</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
<b>Cost or Valuation</b>				
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>
<b>Accumulated Depreciation and Impairment</b>				
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>
<b>Net book value</b>				
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
<b>Cost or Valuation</b>				
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>
<b>Accumulated Depreciation and Impairment</b>				
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>
<b>Net book value</b>				
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
<b>Cost or Valuation</b>				
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)	198,430	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(52,970)	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>2,013,461</u>	<u>156,538</u>	<u>1,424,708</u>
<b>Accumulated Depreciation and Impairment</b>				
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	63,191	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,098	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>(77,150)</u>	<u>(68,036)</u>	<u>(626,940)</u>
<b>Net book value</b>				
At 31 March 2018	<u>1,029,398</u>	<u>1,936,311</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

<b>Cost or Valuation</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property Plant and Equipment £000</b>	<b>PPP Assets £000</b>
At 1 April 2017	14,562	2,421	53,096	<b>4,493,321</b>	594,858
Additions	5,168	362	46,224	<b>154,669</b>	40
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	<b>192,391</b>	(1,480)
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	<b>(58,711)</b>	0
Derecognition - disposals	0	0	0	<b>(15,829)</b>	0
Derecognition - other	0	0	0	<b>(4,829)</b>	0
Assets reclassified (to) / from held for sale	0	0	0	<b>6,463</b>	0
Other movements in cost or valuation	0	(1,362)	(43,021)	<b>0</b>	0
<b>At 31 March 2018</b>	<b>14,050</b>	<b>1,421</b>	<b>56,299</b>	<b>4,767,475</b>	<b>593,418</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2017	0	0	0	<b>(784,301)</b>	(32,687)
Depreciation charge	0	0	0	<b>(141,055)</b>	(14,106)
Depreciation charge written out to Revaluation Reserve	0	0	0	<b>63,432</b>	3,190
Depreciation written out to the Surplus on the Provision of Services	0	0	0	<b>11,102</b>	0
Derecognition - disposals	0	0	0	<b>2,956</b>	0
Derecognition - other	0	0	0	<b>130</b>	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	<b>4,010</b>	0
Other movements in cost or valuation	0	0	0	<b>0</b>	0
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(843,726)</b>	<b>(43,603)</b>
<b>Net book value</b>					
<b>At 31 March 2018</b>	<b>14,050</b>	<b>1,421</b>	<b>56,299</b>	<b>3,923,749</b>	<b>549,815</b>
<b>At 31 March 2017</b>	<b>14,562</b>	<b>2,421</b>	<b>53,096</b>	<b>3,709,020</b>	<b>562,171</b>

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)	(25)	0
Derecognition - disposals	(15,580)	(148)	0	0
Derecognition - other	0	0	(25,571)	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>
<b>Accumulated Depreciation and Impairment</b>				
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>
<b>Net book value</b>				
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
<b>Cost or Valuation</b>					
At 1 April 2016	12,964	2,420	89,688	<b>4,383,726</b>	583,781
Additions	1,842	1	40,130	<b>140,142</b>	34
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	<b>28,268</b>	6,951
Revaluation decreases recognised in the Surplus on the Provision of Services	(244)	0	0	<b>(20,581)</b>	0
Derecognition - disposals	0	0	0	<b>(15,728)</b>	0
Derecognition - other	0	0	0	<b>(25,571)</b>	0
Assets reclassified (to) / from held for sale	0	0	0	<b>3,065</b>	0
Other movements in cost or valuation	0	0	(76,722)	<b>0</b>	4,092
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u><b>4,493,321</b></u>	<u>594,858</u>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2016	0	0	0	<b>(687,073)</b>	(22,252)
Depreciation charge	0	0	0	<b>(137,033)</b>	(13,155)
Depreciation charge written out to Revaluation Reserve	0	0	0	<b>8,064</b>	2,720
Depreciation written out to the Surplus on the Provision of Services	0	0	0	<b>9,322</b>	0
Derecognition - disposals	0	0	0	<b>779</b>	0
Derecognition - other	0	0	0	<b>21,661</b>	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	<b>0</b>	0
Other movements in cost or valuation	0	0	0	<b>(21)</b>	0
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>	<u><b>(784,301)</b></u>	<u>(32,687)</u>
<b>Net book value</b>					
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u><b>3,709,020</b></u>	<u>562,171</u>
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>3,696,653</b></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.

<b>Council assets</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>
Carried at historical cost	107,508	50,036	88,739	1,424,708
Valued at fair value as at:				
31 March 2018	551	876,374	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
<b>Total cost or valuation</b>	<b>1,100,998</b>	<b>2,013,461</b>	<b>156,538</b>	<b>1,424,708</b>

<b>Council assets</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
Carried at historical cost	14,050	1	56,299	1,741,341
Valued at fair value as at:				
31 March 2018	0	0	0	876,925
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
<b>Total cost or valuation</b>	<b>14,050</b>	<b>1,421</b>	<b>56,299</b>	<b>4,767,475</b>

## 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 2018
	£000	£000	£000	£000
Surplus assets	0	1,421	0	1,421
Investment properties - advertising hoardings	0	17,891	0	17,891
<b>Total cost or valuation</b>	<b>0</b>	<b>19,312</b>	<b>0</b>	<b>19,312</b>

- 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
	<b>(1,594)</b>	<b>(1,594)</b>	<b>(1,379)</b>	<b>(1,379)</b>

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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
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:

	<b>2017/18</b>		<b>2016/17</b>	
	<b>Group</b>	<b>Council</b>	<b>Group</b>	<b>Council</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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.

	<b>Carrying Amount</b>		<b>Remaining</b>
	<b>2017/18</b>	<b>2016/17</b>	<b>Amortisation</b>
	<b>£000</b>	<b>£000</b>	<b>Period</b>
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

	<b>Monuments and Statues £000</b>	<b>Civic Regalia and Artefacts £000</b>	<b>Archival Collections £000</b>
<b>Cost or Valuation</b>			
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>
<b>Accumulated Impairment</b>			
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>
<b>Net book value</b>			
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>
	<b>Libraries' Special Collections £000</b>	<b>Museum and Gallery Collections £000</b>	<b>Total Heritage Assets £000</b>
<b>Cost or Valuation</b>			
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>
<b>Accumulated Impairment</b>			
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>
<b>Net book value</b>			
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

	<b>Monuments and Statues £000</b>	<b>Civic Regalia and Artefacts £000</b>	<b>Archival Collections £000</b>
<b>Cost or Valuation</b>			
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>
<b>Accumulated Impairment</b>			
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>
<b>Net book value</b>			
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>
	<b>Libraries' Special Collections £000</b>	<b>Museum and Gallery Collections £000</b>	<b>Total Heritage Assets £000</b>
<b>Cost or Valuation</b>			
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>
<b>Accumulated Impairment</b>			
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>
<b>Net book value</b>			
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

- Valuations on Monuments and Statues are carried out under the direction of the Council's Operational Estate Manager. Monuments and Statues are valued on a historic basis.
- 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
<b>Investments</b>				
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
<b>Debtors</b>				
Loans and receivables	105,549	100,953	60,375	60,047
Total debtors	105,549	100,953	60,375	60,047
<b>Borrowings</b>				
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	(1,201,404)	(1,254,590)	(70,945)	(70,344)

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
<b>Other Long-Term Liabilities</b>		
PPP and finance lease liabilities	(196,067)	(204,082)
Deferred liability	(25,223)	(22,707)
Total other long-term liabilities	<u>(221,290)</u>	<u>(226,789)</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
<b>Creditors</b>		
Financial liabilities at amortised cost	(20,328)	(23,548)
PPP and finance leases due within 1 year	(8,022)	(10,370)
Total creditors	<u>(28,350)</u>	<u>(33,918)</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	0	0	0	3,116	3,116
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	0	0	0	(6,180)	(6,180)
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>70,233</u>	<u>(1,105)</u>	<u>(103)</u>	<u>(3,064)</u>	<u>65,961</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
<b>Investments held at Fair Value</b>					
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>
<b>Investment held at Amortised Cost</b>					
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>
<b>Debtors</b>					
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>
<b>Total Investments</b>		<u>264,026</u>	<u>264,066</u>	<u>262,657</u>	<u>262,688</u>

#### 20.4 Short-Term Investments

	Fair Value Level	31.03.18		31.03.17	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Investment held at Amortised Cost</b>					
Local Authority Loans	2	20,722	20,730	25,709	25,714
		<u>20,722</u>	<u>20,730</u>	<u>25,709</u>	<u>25,714</u>

#### 20.5 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
<b>Investments held at Fair Value</b>					
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
<b>Fuel Stocks</b>				
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
<b>Gift Stock and Community Equipment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Construction and Other Raw Materials</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Items held for sale</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Work in Progress</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Clothing and Equipment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Catering Stocks</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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	51,717	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	178,395	166,395	181,364	173,075
Total current debtors before provision for impairment	237,356	221,079	208,523	195,972
Less: Provision for impairment	(107,157)	(107,157)	(107,584)	(107,575)
Total net current debtors	130,199	113,922	100,939	88,397

#### 22.4 Provision for Impairment

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
<b>Long-term provision for impairment</b>				
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)
<b>Current provision for impairment</b>				
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	8,287	(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	108,960	108,960	129,188	129,188
	137,022	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
<b>24.1 Non-Current Assets</b>				
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	(7,397)	(7,397)	(29,245)	(29,245)
Balance at 31 March	<u>2,580</u>	<u>2,580</u>	<u>13,498</u>	<u>13,498</u>

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
<b>24.2 Current Assets</b>				
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	7,397	7,397	29,245	29,245
Balance at 31 March	<u>20,126</u>	<u>20,126</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	(18,746)	(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	(141,575)	(119,364)	(143,836)	(122,234)
	<u>(176,797)</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.

	<b>Trams £000</b>	<b>Equal Pay Claims £000</b>	<b>Council Tax Discounts £000</b>
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>
	<b>Housing Benefit Subsidy £000</b>	<b>Insurance Claims £000</b>	<b>Other Provisions £000</b>
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>
	<b>Total Council Provisions £000</b>	<b>Group Provisions £000</b>	<b>Total Provisions £000</b>
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	
	Balance as at:	
	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	1,108,975	873,986
Capital Adjustment Account	1,403,298	1,402,884
Financial Instruments Adjustment Account	(43,467)	(45,390)
Pensions Reserve	(482,493)	(705,786)
Employee Statutory Adjustment Account	<u>(14,761)</u>	<u>(14,121)</u>
Total Council Unusable Reserves	1,971,552	1,511,573
Subsidiaries, Associates and Joint Ventures	<u>119,431</u>	<u>112,678</u>
Total Group Unusable Reserves	<u><u>2,090,983</u></u>	<u><u>1,624,251</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	873,986	856,303
Upward revaluation of assets	334,452	47,395
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(78,632)	(6,922)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	<u>255,820</u>	40,473
Difference between fair value depreciation and historical cost depreciation	(5,665)	(18,868)
Accumulated gains on assets sold	<u>(15,166)</u>	<u>(3,922)</u>
Amount written off to the capital adjustment account	(20,831)	(22,790)
Balance at 31 March	<u><u>1,108,975</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)	(137,033)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(48,012)	(13,425)
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	(27,172)	(15,862)
	<u>(239,717)</u>	<u>(205,786)</u>
Adjusting amounts written out of the revaluation reserve	20,831	22,790
	<u>(218,886)</u>	<u>(182,996)</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	90,975
Capital expenditure charged against the General Fund and HRA balances	44,411	40,301
	<u>217,880</u>	<u>214,801</u>
Movements in the market value of investment properties credited to the CIES	1,420	(779)
Transfer to the General Fund	0	(762)
Other unrealised losses debited to the CIES	0	(3,509)
Balance at 31 March	<u>1,403,298</u>	<u>1,402,884</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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(705,786)	(438,940)
Actuarial gains or (losses) on pension assets and liabilities	273,812	(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	59,992	66,264
Balance at 31 March	<u>(482,493)</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.

		<b>2017/18</b>	<b>2016/17</b>
		<b>£000</b>	<b>£000</b>
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
<b>Subsidiaries</b>		
CEC Holdings Limited		
Capital financing account	64,466	64,466
Capital contribution	11,230	13,130
Transport for Edinburgh		
Revaluation reserve	11,309	11,309
Non Controlling Interest	13,258	8,110
Other Unusable Reserves	708	1,004
<b>Total Unusable Reserves - Subsidiaries</b>	<b>100,971</b>	<b>98,019</b>
<b>Associates and Joint Ventures</b>		
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	(3,628)	(7,584)
<b>Total Unusable Reserves - Associates and Joint Ventures</b>	<b>18,460</b>	<b>14,659</b>
<b>Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>119,431</b>	<b>112,678</b>

### 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	(18,826)	0	(26,218)	0
<b>Net cash flows from operating activities</b>	<b>(244,548)</b>	<b>(225,722)</b>	<b>(234,589)</b>	<b>(208,371)</b>

## 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>(29,955)</u>	<u>(29,938)</u>	<u>(11,641)</u>	<u>(11,577)</u>
<b>Net cash flows from investing activities</b>	<b><u>202,805</u></b>	<b><u>179,919</u></b>	<b><u>140,427</u></b>	<b><u>120,978</u></b>

### 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	(1,891)	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	8,791	7,888	11,637	10,713
Repayment of short-term and long-term borrowing	54,355	54,355	69,843	69,843
<b>Net cash flows from financing activities</b>	<b><u>64,552</u></b>	<b><u>65,540</u></b>	<b><u>53,043</u></b>	<b><u>52,242</u></b>

## 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 £000	2016/17 £000	2015/16 £000	Cumulative £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).

	<b>2017/18</b> <b>£000</b>	<b>2016/17</b> <b>£000</b>	<b>2017/18</b> <b>£000</b>	<b>2016/17</b> <b>£000</b>
	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
			<b>598</b>	<b>6,470</b>	<b>60,256</b>	<b>66,726</b>

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
<b>Expenditure</b>		
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
<b>Total Expenditure</b>	<b>8,370</b>	<b>8,737</b>
<b>Income</b>		
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
<b>Total Income</b>	<b>(10,872)</b>	<b>(11,605)</b>

### 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 2016/17	
	£000	£000	£000	£000
<b>Revenue Funding</b>				
<b>Credited to taxation and non-specific grant income</b>				
General revenue funding	(345,757)		(344,919)	
Non-domestic rates	<u>(355,063)</u>		<u>(374,650)</u>	
		(700,820)		(719,569)
<b>Credited to services</b>				
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>
<b>Total</b>		<u><u>(981,049)</u></u>		<u><u>(1,008,188)</u></u>
<b>Capital Funding</b>				
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)
<b>Total</b>		<u><u>(76,598)</u></u>		<u><u>(53,711)</u></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 £000	2016/17 £000
• <b>Revenue Expenditure</b>		
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
Edinburgh Integration Joint Board		
Contributions	197,194	193,286
Corporate Services	163	158
Services in kind	261	332
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
<b>Total Revenue Expenditure</b>	<b>234,657</b>	<b>230,074</b>
• <b>Revenue Income</b>		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(203)	(200)
Other	(20)	(23)
Edinburgh Festival Theatres	(129)	(150)
Edinburgh Trams	(2,655)	(2,318)
Lothian Buses	(42)	(51)
Edinburgh Tattoo	(401)	(401)
Edinburgh Integration Joint Board	(216,697)	(189,698)
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)
<b>Total Revenue Income</b>	<b>(248,507)</b>	<b>(222,025)</b>

## 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"> <li>● <b>Joint Board Requisitions</b></li> </ul>		
Lothian Valuation Joint Board	3,629	3,744
<b>Total Joint Board Requisitions</b>	<b><u>3,629</u></b>	<b><u>3,744</u></b>
<ul style="list-style-type: none"> <li>● <b>Central Support Income</b></li> </ul>		
Lothian Valuation Joint Board	(65)	(49)
Pension Funds	(250)	(264)
<b>Total Central Support Income</b>	<b><u>(315)</u></b>	<b><u>(313)</u></b>
<ul style="list-style-type: none"> <li>● <b>Interest on Revenue Balances</b></li> </ul>		
Lothian Valuation Joint Board	3	3
Pension Funds	4	5
SESTRAN	1	1
<b>Total Interest on Revenue Balances</b>	<b><u>8</u></b>	<b><u>9</u></b>
<ul style="list-style-type: none"> <li>● <b>Loans Charges Recovered</b></li> </ul>		
Scottish Fire and Rescue Service	(777)	(1,112)
Police Scotland	(2,484)	(2,771)
<b>Total Loans Charges</b>	<b><u>(3,261)</u></b>	<b><u>(3,883)</u></b>
<b>38.2 Subsidiaries and Other Organisations - Capital Expenditure</b>		
<ul style="list-style-type: none"> <li>● <b>Capital Expenditure</b></li> </ul>		
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
<b>Total Capital Expenditure</b>	<b><u>11,878</u></b>	<b><u>14,024</u></b>

## 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:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
CEC Holdings Limited (including all subsidiaries)	(332)	(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)
Edinburgh Integration Joint Board	(8,378)	(3,678)
Other Local Authorities	502	75
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
Transport Scotland	629	0
	<b>31,610</b>	<b>25,022</b>
<b>• Other Indebtedness</b>		
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
	<b>581</b>	<b>129</b>

## 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
<b>Capital Investment</b>				
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	0		(9)	
		210,654		194,441
<b>Sources of Finance</b>				
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	(83,987)		(91,238)	
		(245,046)		(217,005)
<b>Closing capital financing requirement</b>		<b>1,575,864</b>		<b>1,610,256</b>
<b>Explanation of movements in year</b>				
(Decrease) / increase in underlying need to borrow		(34,392)		(22,564)
<b>(Decrease) / Increase in capital financing requirement</b>		<b>(34,392)</b>		<b>(22,564)</b>



## 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>
<b>Finance Lease Liabilities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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>

## 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 2016/17, 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 £0m of contributions paid by employees towards cost of car leasing (2016/17 £0.036m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0m is recoverable from employees (2016/17 £0.002m):

	2017/18		2016/17	
	Group £000	Council £000	Group £000	Council £000
<b>Future Repayment Period</b>				
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
	<b>9,632</b>	<b>7,015</b>	<b>12,789</b>	<b>9,719</b>
<b>Value at 31 March</b>				
Other land and buildings	8,922	6,989	11,838	9,680
Vehicles, plant, equipment and furniture	710	26	951	39
	<b>9,632</b>	<b>7,015</b>	<b>12,789</b>	<b>9,719</b>
<b>Recognised as an expense during the year</b>	<b>2,043</b>	<b>1,508</b>	<b>2,573</b>	<b>2,027</b>

#### 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
	<b>202,580</b>	<b>201,320</b>

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:

	<b>Payment for Services £000</b>	<b>Reimburse. of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
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. These are not subject to the above inflationary uplifts.

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:

	<b>2017/18 £000</b>	<b>2016/17 £000</b>
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
<b>Comprehensive Income and Expenditure Statement</b>				
<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>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		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.	77,350		(428,706)	
Actuarial (gains) and losses arising on changes in financial assumptions	(92,581)		669,702	
Actuarial (gains) and losses arising on changes in demographic assumptions	(8,303)		0	
Other experience	<u>(250,278)</u>		<u>3,215</u>	
		<u>(273,812)</u>		<u>244,211</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(163,301)</u>		<u>333,110</u>
<b>Movement in Reserves Statement</b>				
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>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		54,403		60,457
Contributions in respect of unfunded benefits		<u>5,589</u>		<u>5,807</u>
		<u>59,992</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:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Fair value of employer assets	2,720,975	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>(482,493)</u>	<u>(705,786)</u>

#### 43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
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	(77,350)	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	5,589	5,807
Benefits paid	(85,018)	(81,419)
Unfunded benefits paid	<u>(5,589)</u>	<u>(5,807)</u>
Closing fair value of scheme assets	<u>2,720,975</u>	<u>2,747,964</u>

#### Reconciliation of Present Value of the Scheme Liabilities

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
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	92,581	(669,702)
Change in demographic assumptions	8,303	0
Other experience	250,278	(3,215)
Past service cost	(287)	(7,029)
Effects of settlements	7,280	0
Benefits paid	85,018	81,419
Unfunded benefits paid	<u>5,589</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 *	372,813	14	412,549	15
Manufacturing *	405,093	15	416,581	15
Energy and Utilities *	170,219	6	203,906	8
Financial Institutions *	241,734	9	191,883	7
Health and Care *	133,399	5	161,077	6
Information technology *	165,884	6	136,000	5
Other *	<u>170,750</u>	6	<u>189,359</u>	7
Sub-total Equity Securities	<u>1,659,891</u>		<u>1,711,355</u>	
Debt Securities:				
UK Government *	263,793	10	275,933	10
Corporate Bonds (non-investment grade)	53,015	2	0	0
Other *	<u>0</u>	0	<u>5,710</u>	0
Sub-total Debt Securities	<u>316,808</u>		<u>281,643</u>	
Private Equity				
All *	8,672	0	31,954	1
All	<u>41,007</u>	2	<u>56,808</u>	2
Sub-total Private Equity	<u>49,679</u>		<u>88,762</u>	
Real Estate:				
UK Property	174,887	6	185,409	7
Overseas Property	<u>2,845</u>	0	<u>0</u>	0
Sub-total Real Estate	<u>177,732</u>		<u>185,409</u>	
Investment Funds and Unit Trusts:				
Equities *	26,153	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	322,478	12	228,444	8
Other	<u>6,215</u>	0	<u>58,621</u>	2
Sub-total Investment Funds and Unit Trusts	<u>354,846</u>		<u>353,336</u>	
Derivatives:				
Foreign Exchange *	<u>1,252</u>	0	<u>0</u>	0
Sub-total Derivatives	<u>1,252</u>		<u>0</u>	
Cash and Cash Equivalents				
All *	<u>160,768</u>	6	<u>127,459</u>	5
Sub-total Cash and Cash Equivalents	<u>160,768</u>		<u>127,459</u>	
Total Fair Value of Employer Assets	<u>2,720,975</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	(1.40%)

#### Average future life expectancies at age 65:

	<b>31.03.18</b>	<b>31.03.17</b>
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	<b>31.03.18</b>	<b>31.03.17</b>
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.

<b>Change in assumptions at 31 March 2018</b>	<b>Approximate % Increase to Employer</b>	<b>Approximate Monetary Amount £000</b>
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
<b>Unusable Reserves</b>		
Council	(482,493)	(705,786)
Lothian Valuation Joint Board	(3,628)	(7,585)
	<u>(486,121)</u>	<u>(713,371)</u>
<b>Usable Reserves</b>		
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	73,290	0	73,290	29.1%
Interest cost on defined benefit obligation	0	(86,795)	(86,795)	(34.5%)
Total Net Interest Cost	73,290	(86,795)	(13,505)	(5.4%)
Total included in Profit or Loss	73,290	(183,021)	(109,731)	(43.7%)

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:

	<b>Standard and Poor's Rating</b>	<b>Principal Outstanding 31.03.18 £000</b>	<b>Carry Value 31.03.18 £000</b>	<b>Fair Value 31.03.18 £000</b>	<b>Carry Value 31.03.17 £000</b>
<b>Summary</b>					
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
	<b>Total</b>	<b>175,783</b>	<b>175,933</b>	<b>175,973</b>	<b>173,503</b>

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.

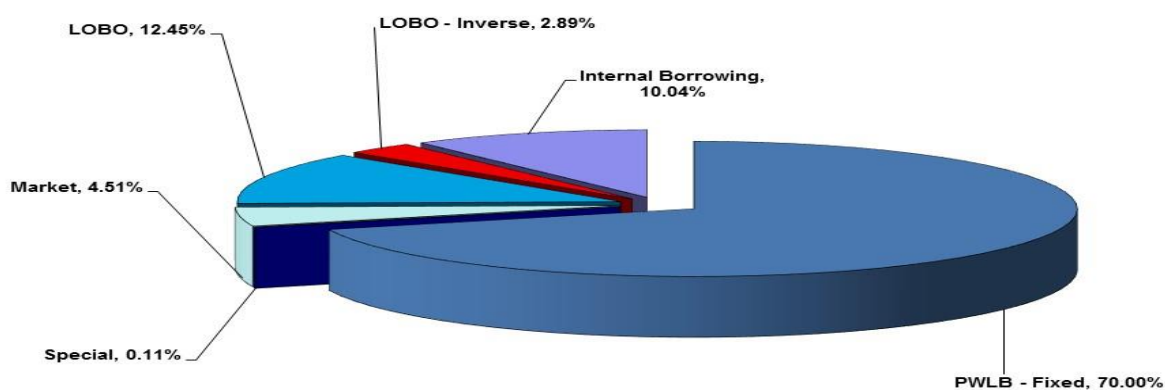
## NOTES TO THE FINANCIAL STATEMENTS

### 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:

	<b>£000</b>
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

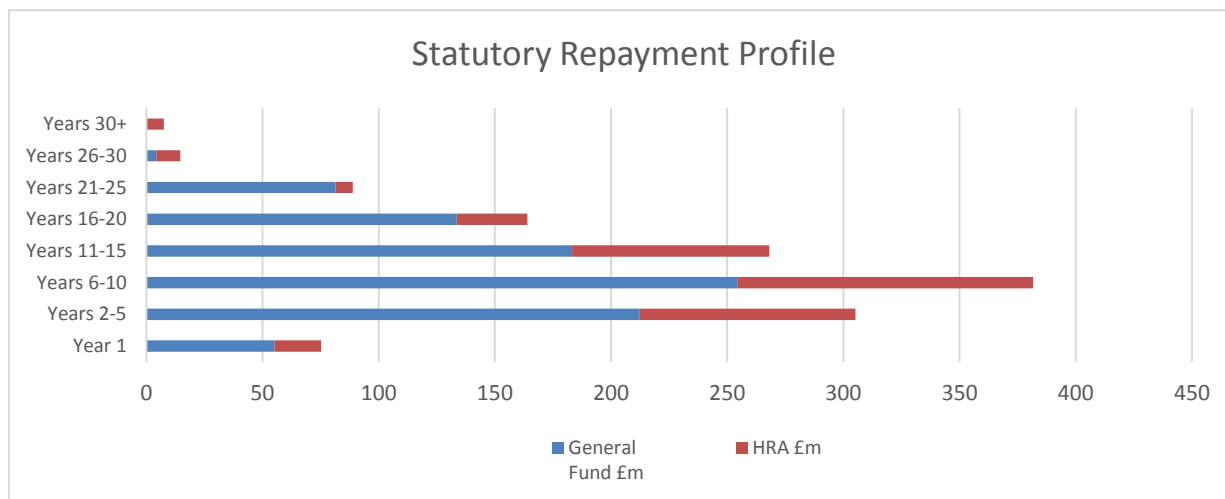
The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.



## 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.

	<b>2017/18</b>		<b>2016/17</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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><b>1,968</b></u>		<u><b>2,875</b></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.

	<b>2017/18</b>	<b>(re-stated)</b>
	<b>£000</b>	<b>2016/17</b>
		<b>£000</b>
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:

	<b>Scottish Charity Registration Number</b>	<b>Market Value 31.03.18 £000</b>	<b>Market Value 31.03.17 £000</b>
<b>Scottish Registered Charities</b>			
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
<b>Income</b>	
73 Investment income	89
14 Other non-investment income	0
87	89
<b>Expenditure</b>	
(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
<b>Long-Term Assets</b>	
2,066 Investments	2,075
5,275 Artworks - Jean Watson Trust	5,275
7,020 Heritable property	7,020
14,361 <b>Total Long-Term Assets</b>	14,370
<b>Current Assets</b>	
333 Cash and bank	313
0 Debtors	16
333	329
<b>Current Liabilities</b>	
(23) Creditors	(30)
(23)	(30)
14,671 <b>Total Assets less Liabilities</b>	14,669
<b>Funds</b>	
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 <b>Funds at 31 March</b>	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:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
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:	<b>31.03.18</b>	<b>31.03.17</b>
	<b>£000</b>	<b>£000</b>
Income	(38)	(30)
Expenditure	14	13
Assets	952	921
Liabilities	(4)	(2)

#### 48.4 Financial Position of Other Funds

<b>2016/17 Income and Expenditure Account</b>		<b>2017/18</b>
<b>£000</b>	<b>Income</b>	<b>£000</b>
0	Investment income	0
0		0
	<b>Expenditure</b>	
1	Administrative expenses	1
0	Other expenditure	42
1		43
1	(Surplus) / Deficit for the year	43
<b>2016/17 Balance Sheet</b>		<b>2017/18</b>
<b>£000</b>	<b>Current Assets</b>	<b>£000</b>
44	Cash and bank	0
44		0
	<b>Current Liabilities</b>	
(1)	Balance with City of Edinburgh Council	0
(1)		0
43	<b>Total Assets less Liabilities</b>	0
44	<b>Capital at 1 April</b>	43
(1)	Deficit for the year	(43)
43	<b>Capital at 31 March</b>	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.

- **CEC Holdings Ltd**

Unsecured loan stock was issued by Edinburgh International Conference Centre Ltd to CEC Holdings Ltd in 2016. A prior year adjustment has been made to reflect this and the effective interest within the Group statements.

### 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	HRA Dwellings £000	CEC Holdings Ltd £000	2016/17 Re-stated £000
<u>Balance at 31 March 2016</u>						
Group Unusable Reserves	108,367	0	0	0	2,876	111,243
Total Reserves	2,118,243	0	0	0	2,876	2,121,119
<u>Total Comprehensive Inc / Exp.</u>						
Council's Total Usable Reserves	10,768	(4,750)	11,721	401	0	18,140
Total Usable Reserves	(1,754)	(4,750)	11,721	401	0	5,618
Council's Unusable Reserves	(214,358)	4,750	2,287	0	0	(207,321)
Total Reserves	(214,057)	0	14,008	401	0	(199,648)
<u>Adjustments between accounting basis and funding basis under regulations (Note 11)</u>						
Council's Total Usable Reserves	5,103	4,772	2,287	(401)	0	11,761
Total Usable Reserves	5,103	4,772	2,287	(401)	0	11,761
Council's Unusable Reserves	(5,103)	(4,772)	(2,287)	401	0	(11,761)
<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	401	0	(219,082)
Total Reserves	(214,057)	0	14,008	401	0	(199,648)

## 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	HRA Dwellings £000	CEC Holdings Ltd £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	401	0	(219,845)
Total Reserves	(214,057)	0	14,008	401	0	(199,648)
<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	401	0	1,511,573
Total Reserves	1,904,186	0	14,008	401	2,876	1,921,471

#### Group

#### Comprehensive Income and Expenditure Statement

Place	140,280	(22)	0	0	0	140,258
Resources	153,220	0	0	0	0	153,220
Housing Revenue Account	(27,759)	0	0	(401)	0	(28,160)
Other non-service specific costs	13,969	0	(11,721)	0	0	2,248
<b>Cost of Services</b>	892,899	(22)	(11,721)	(401)	0	880,755
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)	(401)	0	(32,769)
Other Unrealised (Gains) / Losses	33,565	(4,750)	(2,287)	0	0	26,528
<b>Total Comprehensive (Income) / Expenditure</b>	214,057	0	(14,008)	(401)	0	199,648

#### Council

#### Comprehensive Income and Expenditure Statement

Place	140,280	(22)	0	0	0	140,258
Resources	153,220	0	0	0	0	153,220
Housing Revenue Account	(27,759)	0	0	(401)	0	(28,160)
Other non-service specific costs	13,969	0	(11,721)	0	0	2,248
<b>Cost of Services</b>	906,846	(22)	(11,721)	(401)	0	894,702
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)	(401)	0	(18,140)
Other Unrealised (Gains) / Losses	10,620	(4,750)	(2,287)	0	0	3,583
<b>Total Comprehensive (Income) / Expenditure</b>	203,590	0	(14,008)	(401)	0	189,181

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

### 49.2 Impact on Financial Statements - continued

Group	2016/17	Devpt Fund /	PPP	Finance	HRA	CEC	2016/17
Balance Sheet	Statements	Scheme of	Life-cycle	Leases	Dwellings	Holdings	Re-stated
	£000	Assistance	Maint.	£000	£000	Ltd	£000
		£000	£000			£000	
Council Dwellings	1,037,991	0	0	0	(13,768)	0	1,024,223
Vehicles, Plant, Furniture and Equipment	175,063	0	0	(3,910)	0	0	171,153
Assets Under Construction	38,927	0	0	0	14,169	0	53,096
<b>Property, Plant and Equipment</b>	<b>3,820,256</b>	<b>0</b>	<b>0</b>	<b>(3,910)</b>	<b>401</b>	<b>0</b>	<b>3,816,747</b>
Debtors	86,931	0	14,008	0	0	0	100,939
<b>Current Assets</b>	<b>319,731</b>	<b>0</b>	<b>14,008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>333,739</b>
Creditors	(169,542)	0	0	2,475	0	0	(167,067)
<b>Current Liabilities</b>	<b>(252,739)</b>	<b>0</b>	<b>0</b>	<b>2,475</b>	<b>0</b>	<b>0</b>	<b>(250,264)</b>
Long-Term Borrowing	(1,243,890)	0	0	0	0	2,876	(1,241,014)
Other Long-Term Liabilities	(207,135)	0	0	1,435	0	0	(205,700)
<b>Long-Term Liabilities</b>	<b>(2,199,378)</b>	<b>0</b>	<b>0</b>	<b>1,435</b>	<b>0</b>	<b>2,876</b>	<b>(2,195,067)</b>
Capital Adjustment Account	1,403,268	(785)	0	0	401	0	1,402,884
Group Unusable Reserves	109,802	0	0	0	0	2,876	112,678
<b>Unusable Reserves</b>	<b>1,621,759</b>	<b>(785)</b>	<b>0</b>	<b>0</b>	<b>401</b>	<b>2,876</b>	<b>1,624,251</b>
Renewal and Repairs Fund	50,141	0	14,008	0	0	0	64,149
General Fund	141,826	785	0	0	0	0	142,611
<b>Usable Reserves</b>	<b>282,427</b>	<b>785</b>	<b>14,008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>297,220</b>
<b>Total Reserves</b>	<b>1,904,186</b>	<b>0</b>	<b>14,008</b>	<b>0</b>	<b>401</b>	<b>2,876</b>	<b>1,921,471</b>
<b>Council</b>							
<b>Balance Sheet</b>							
Council Dwellings	1,037,991	0	0	0	(13,768)	0	1,024,223
Vehicles, Plant, Furniture and Equipment	98,891	0	0	(3,910)	0	0	94,981
Assets Under Construction	38,927	0	0	0	14,169	0	53,096
<b>Property, Plant and Equipment</b>	<b>3,712,529</b>	<b>0</b>	<b>0</b>	<b>(3,910)</b>	<b>401</b>	<b>0</b>	<b>3,709,020</b>
Debtors	74,389	0	14,008	0	0	0	88,397
<b>Current Assets</b>	<b>266,614</b>	<b>0</b>	<b>14,008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>280,622</b>
Creditors	(142,671)	0	0	2,475	0	0	(140,196)
<b>Current Liabilities</b>	<b>(223,556)</b>	<b>0</b>	<b>0</b>	<b>2,475</b>	<b>0</b>	<b>0</b>	<b>(221,081)</b>
Other Long-Term Liabilities	(205,517)	0	0	1,435	0	0	(204,082)
<b>Long-Term Liabilities</b>	<b>(2,188,600)</b>	<b>0</b>	<b>0</b>	<b>1,435</b>	<b>0</b>	<b>0</b>	<b>(2,187,165)</b>
Capital Adjustment Account	1,403,268	(785)	0	0	401	0	1,402,884
<b>Unusable Reserves</b>	<b>1,511,957</b>	<b>(785)</b>	<b>0</b>	<b>0</b>	<b>401</b>	<b>0</b>	<b>1,511,573</b>
Renewal and Repairs Fund	50,141	0	14,008	0	0	0	64,149
General Fund	141,826	785	0	0	0	0	142,611
<b>Usable Reserves</b>	<b>253,911</b>	<b>785</b>	<b>14,008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>268,704</b>
<b>Total Reserves</b>	<b>1,765,868</b>	<b>0</b>	<b>14,008</b>	<b>0</b>	<b>401</b>	<b>0</b>	<b>1,780,277</b>

## 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
<b>Expenditure</b>			
Depreciation and impairment of non-current assets	19,345	(401)	18,944
Surplus for the year on HRA services	(17,594)	(401)	(17,995)
<b>Movement on the HRA Statement</b>			
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.

<b>Re-stated 2016/17</b>		<b>2017/18</b>	<b>£000</b>
<b>£000</b>	<b>EXPENDITURE</b>	<b>£000</b>	<b>£000</b>
27,469	Repairs and maintenance	27,964	
21,069	Supervision and management	19,132	
18,944	Depreciation and impairment of non-current assets	21,356	
5,279	Other expenditure	5,627	
251	Impairment of debtors	(40)	
<u>73,012</u>			74,039
	<b>INCOME</b>		
(95,674)	Dwelling rents	(96,050)	
(496)	Non-Dwelling rents (gross)	(47)	
(5,901)	Other income	(5,343)	
<u>(102,071)</u>			<u>(101,440)</u>
(29,059)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(27,401)
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		(26,172)
	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>(14,469)</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	14,469
(6,109)	Adjustments between accounting basis and funding basis under statute	(23,511)
<u>11,886</u>	<b>Net increase before transfers to reserves</b>	<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>	<b>Balance on the HRA at the end of the current year</b>	<u><u>0</u></u>

## Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	<b>Adjustments primarily involving the Capital Adjustment Account</b>	
	<b>Reversal of items debited or credited to the Income and Expenditure Statement</b>	
18,944	Charges for depreciation and impairment of non-current assets	21,356
(7,587)	Capital grants and contributions applied	(11,280)
	<b>Insertion of items not debited or credited to the Income and Expenditure Statement</b>	
(16,585)	Statutory provision for the financing of capital investment	(18,290)
0	Capital funded from revenue	(19,474)
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>	
(754)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	3,467
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>	
(498)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(536)
	<b>Adjustments primarily involving the Pensions Reserve</b>	
2,016	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,377
(1,503)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,128)
	<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>	
(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>(23,511)</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 (£)
<b>Main provision Council dwellings</b>				
1 Apartment	279	3,891.00	316	3,814.00
2 Apartment	5,312	4,351.00	5,367	4,266.00
3 Apartment	9,753	5,043.00	9,920	4,944.00
4 Apartment	3,306	5,806.00	3,353	5,693.00
5 Apartment	496	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
<b>Mid-market rent dwellings</b>				
2 Apartment	22	5,659.00	23	5,556.00
3 Apartment	81	6,966.00	83	6,821.00
4 Apartment	22	8,770.00	22	8,598.00
	<u>19,285</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><b>(221,391)</b></u>	<b>Total transferred to General Fund</b>		<u><b>(249,247)</b></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

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>
							<b>Council Tax Base</b>	<u><b>226,519</b></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 £000		2017/18 £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
<b><u>(368,201)</u></b>	<b>Net Non-Domestic Rates Income</b>		<b><u>(349,014)</u></b>
	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
<b><u>(368,201)</u></b>			<b><u>(349,014)</u></b>

### 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.

The Common Good accounts are prepared in accordance with the Council's accounting policies as detailed in Note 1.

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
<b>2017/18 Movements</b>					
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)
<b>Total Comprehensive Income and Expenditure</b>	(15)	0	0	(108)	(123)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	(15)	0	0	(108)	(123)
Transfer (to) / from reserves	3	(3)	0	0	0
Increase / (decrease) in year	(12)	(3)	0	(108)	(123)
<b>Balance at 31 March 2018</b>	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
<b>2016/17 Comparative Data</b>					
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>
<b>Total Comprehensive Income and Expenditure</b>	104	0	0	0	104
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	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>
<b>Balance at 31 March 2017</b>	<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

Re-stated 2016/17 £000		2017/18 £000	£000
	<b>EXPENDITURE</b>		
130	Common Good Fund	24	
<u>3,115</u>	Common Good Property Costs	<u>5,858</u>	
<u>3,245</u>	<b>TOTAL EXPENDITURE</b>		5,882
	<b>INCOME</b>		
(1,395)	Rent Income	(1,591)	
(526)	Capital Funding	(1,455)	
<u>(1,194)</u>	Recharges Income	<u>(2,812)</u>	
<u>(3,115)</u>	<b>TOTAL INCOME</b>	<u>(5,858)</u>	
<u>130</u>	<b>COST OF SERVICES</b>		<u>24</u>
(225)	(Gain) / Loss on disposal of Fixed Assets	0	
<u>(9)</u>	Interest and investment income	<u>(9)</u>	
<u>(234)</u>	<b>Other Comprehensive Income and Expenditure</b>		<u>(9)</u>
(104)	<b>(Surplus) / Deficit on Provision of Services</b>		15
0	(Surplus) / Deficit on revaluation of non-current assets		108
<u>(104)</u>	<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>		<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>	<b>Property, Plant and Equipment</b>		21,784
<u>103</u>	Heritage Assets	<u>103</u>	
<u>103</u>	<b>Long-term Assets</b>		103
589	Short-Term Investments	503	
<u>1,790</u>	Cash and Cash Equivalents	<u>1,861</u>	
<u>2,379</u>	<b>Current Assets</b>		<u>2,364</u>
<u><b>24,374</b></u>	<b>Net Assets</b>		<u><b>24,251</b></u>
21,994	Revaluation Reserve	21,886	
<u>(22)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>21,972</u>	<b>Unusable Reserves</b>		21,864
512	Common Good Fund	500	
<u>1,890</u>	Earmarked Reserve	<u>1,887</u>	
<u>2,402</u>	<b>Usable Reserves</b>		<u>2,387</u>
<u><b>24,374</b></u>	<b>Total Reserves</b>		<u><b>24,251</b></u>

The unaudited accounts were issued on 15 June 2018. The audited accounts were authorised for issue on 27 September 2018.

HUGH DUNN, CPFA  
Head of Finance  
27 September 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
<b>Cost or Valuation</b>			
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
<b>Net Book Value</b>			
At 31 March 2018	21,784	21,784	103
At 31 March 2017	21,892	21,892	103
<b>Cost or Valuation</b>			
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
<b>Net Book Value</b>			
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. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good.

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 published the accompanying guidance in July. The Common Good Asset Register for public consultation will be considered at the 27 September 2018 Finance and Resources Committee.

## 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><u>(22)</u></u>	<u><u>(22)</u></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 improve its internal controls to identify or prevent irregularities.
- 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.
- New financial controls have been added to those in place in 2017/18 including full documentation of all procedures, development of an anti-money laundering policy, introduction of an independent review of monthly income and expenditure account reconciliations and independent authorisation of changes to Bankline access rights.
- Following an audit by the external auditors on ICT security controls in October 2017, work was undertaken by CGI, in partnership with the Council to resolve the issues identified in the audit. This work was monitored and scrutinised effectively by GRBV with follow up reports in January and April 2018. Progress had been made and work would continue in 2018 to complete the actions.
- 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
- 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. Its role includes mitigating the impact on Council income and expenditure within Communities and Families.
- 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.

# 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:

	Action	Responsible Party	Reporting Date
1	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	Chief Executive	June 2018 and onwards
2	Workforce controls will be reported to committee outlining improved and increased management information to facilitate workforce controls, strategic workforce planning and to measure performance	Executive Director of Resources	June 2018
3	Overpayments to Council wide employees had been identified by Human Resources. A plan has been developed to address this over 2018	Executive Director of Resources	January 2019
4	A review is taking place of health and safety risk assessments in Facilities Management. Work is also undergoing with Communities and Families to ensure clarity around roles and responsibilities regarding health and safety.	Executive Director of Resources	Commences May 2018
5	Corporate health and safety training programme to be reviewed	Executive Director of Resources	January 2019
6	A risk governance framework is being created for Health and Social Care Partnership risks to sit alongside the already established Integration Joint Board risk	Chief Officer - Health and Social Care Partnership	May 2018
7	The Assurance Statement template will be reviewed by December 2018 to ensure more effective, concise but robust process	Chief Executive	January 2019
8	A review has taken place of cash handling within social care and health business support teams and improvements will be rolled out	Chief Officer - Health and Social Care Partnership	January 2019
9	Management actions being implemented to ensure processing of payments to contractors effectively and in line with the Council's policies and procedures	Executive Director of Resources	January 2019



# ANNUAL GOVERNANCE STATEMENT

## Actions - continued

	Action	Responsible Party	Reporting Date
10	Development of an improved business continuity plan for the Council's mortuary service	Executive Director of Place	July 2018
11	Reporting of ALEOs has gone to executive committees and the Chief Executive but not all 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	August 2018
12	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	March 2019
13	A review of arrangements is underway to ensure ALEOs have a service level agreement or funding agreement	Executive Director of Place	March 2019
14	Action is being taken to ensure a higher percentage of return from schools regarding self-assurance	Executive Director of Communities and Families	March 2019
15	To ensure the appointment of deputies for resilience co-ordinators in each directorate	All	March 2019
16	Work is ongoing across the Council to identify any gaps regarding compliance with GDPR, this will be monitored and reported to the Council's Leadership Team as well as being reported to committee	All	June 2018 and onwards

## Conclusion

In conclusion, our controls framework continues to evolve and improve. Further work will be undertaken to ensure our corporate governance framework and assurance is joined up and complementary. Controls are generally adequate but further work is necessary to ensure that identified improvement plans are monitored and implemented to ensure that controls are fully embedded. Actions included in the plan will improve the Council's governance and many include in built monitoring by both officers and elected members.

We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control

## 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.

ANDREW KERR  
Chief Executive

ADAM MCVEY  
Council Leader

STEPHEN S. MOIR  
Executive Director of Resources

27 September 2018

27 September 2018

27 September 2018

# 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 have been audited by Scott-Moncrieff. The other sections of the remuneration report have been 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.

<b>Role</b>	<b>Until May 2017 Election</b>	<b>From 22 June 2017 Council Meeting</b>	<b>From 23 November 2017 Council Meeting</b>	<b>From 23 February 2018 Council Meeting</b>	<b>From 15 March 2018 Council Meeting</b>
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	S. 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

<b>Role</b>	<b>Until May 2017 Election</b>	<b>From 22 June 2017 Council Meeting</b>	<b>From 23 November 2017 Council Meeting</b>	<b>From 23 February 2018 Council Meeting</b>	<b>From 15 March 2018 Council Meeting</b>
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
<b>Councillors</b> 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)

<b>Council's Leader, Civic Head and Senior Councillors</b>	<b>Salary, Fees and Allowances £</b>	<b>Taxable Expenses £</b>	<b>Non-Cash Expenses / Benefits-in-kind £</b>	<b>Total Remun. 2017/18 £</b>	<b>Total Remun. 2016/17 £</b>
A. McVey <i>(full year equivalent)</i>	43,703 50,783	0	734	44,437	23,537
F. Ross <i>(full year equivalent)</i>	37,284 38,087	0	2,819	40,103	38,823
C. Day <i>(full year equivalent)</i>	34,790 38,087	0	102	34,892	27,246
J. Griffiths <i>(full year equivalent)</i>	24,024 25,391	0	194	24,218	19,554 22,807
A. Burns* <i>(full year equivalent)</i>	4,632 50,783	0	0	4,632	50,786
S. Cardownie* <i>(full year equivalent)</i>	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* <i>(full year equivalent)</i>	1,853 20,273	0	95	1,948	20,369
P. Godzik* <i>(full year equivalent)</i>	n/a	n/a	n/a	n/a	26,631 32,943
J. Balfour* <i>(full year equivalent)</i>	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 £
<b>Council's Leader, Civic Head and Senior Councillors</b>					
<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	14	20,218	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 £
<b>Salaries</b>	1,330,242	1,280,368
<b>Expenses</b>		
<i>Claimed by councillors</i>	950	1,693
<i>Paid directly by the Council</i>	40,371	25,467
<b>Total</b>	<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 £
<b>Council's Senior Officers</b>				
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
<b>Total</b>	<b>834,878</b>	<b>20,245</b>	<b>855,123</b>	<b>789,220</b>

#### 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
	£	£	£	£	£
<b>Council's Subsidiary Companies</b>					
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 1</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
			<b>Total No. of Employees</b>	<b>474</b>	<b>472</b>

#### 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:

<b>Whole Time Pay</b>	<b>Contribution rate</b>
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
<b>Senior Councillors</b>					
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 ( <i>including role as Convener of Lothian Valuation Joint Board</i> )	5,503	4,498	Pension	4	0
			Lump Sum	2	0
D. Key ( <i>including role as Convener of Lothian Valuation Joint Board</i> )	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)
<b>Total</b>	<b>183,371</b>	<b>168,105</b>			

### 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.

ANDREW KERR  
Chief Executive

27 September 2018

ADAM MCVEY  
Council Leader

27 September 2018

# INDEPENDENT AUDITOR'S REPORT

## Independent auditor's report to the members of The City of Edinburgh Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of The City of Edinburgh Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, the Common Good Fund Movement in Reserves Statement, the Common Good Fund Comprehensive Income and Expenditure Statement, the Common Good Fund Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# INDEPENDENT AUDITOR'S REPORT

## **Responsibilities of the Head of Finance and council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The council is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Other information in the annual accounts**

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).



# INDEPENDENT AUDITOR'S REPORT

## **Matters on which we are required to report by exception**

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have the following to report in respect of these matters:

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The council failed to comply with this statutory requirement for the three year period ending 31 March 2018 in respect of their significant trading operation, Edinburgh Catering Services - Other Catering.

We have nothing to report in respect of the other matters.

Nick Bennett  
For and on behalf of Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

28 September 2018

# The City of Edinburgh Council

10.00am, Thursday 25 October 2018

## Wave 4 Infrastructure Investment Programme – referral from the Finance and Resources Committee

Item number	8.6
Report number	
Wards	All
Council Commitments	

### Executive summary

---

On 11 October 2018 the Finance and Resources Committee considered a report which detailed that the focus of the Wave 4 Infrastructure Investment Programme was the replacement of seven secondary schools throughout the city which had not benefitted from any investment through the PPP1, PPP2 or Wave 3 investment programmes. The report has been referred to the City of Edinburgh Council to approve reallocation of the existing £25m Wave 4 capital budget to Castlebrae High School and Bangholm sports facilities and note that a further report would be considered by the Finance and Resources Committee prior to any contract award.

# Terms of Referral

## Wave 4 Infrastructure Investment Programme – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 The focus of the Wave 4 Infrastructure Investment Programme was the replacement of seven secondary schools throughout the city which had not benefitted from any investment through the PPP1, PPP2 or Wave 3 investment programmes. The schools were Balerno High School, Castlebrae High School, Currie High School, Leith Academy, Liberton High School, Trinity Academy and Wester Hailes Education Centre (WHEC).
- 1.2 The cost benefit analysis included in the business case, detailed in Appendix 1 of the report, demonstrated that six of the seven schools - Balerno High School, Castlebrae High School, Currie High School, Liberton High School, Trinity Academy and WHEC – should be replaced as funding became available based on the prioritisation previously approved by the Education, Children and Families Committee on 21 June 2018. The analysis also concluded the seventh and newest school, Leith Academy, should be retained with the recommended asset management works completed over the next five years.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To remit the report to full Council on 25 October 2018 to approve reallocation of the existing £25m Wave 4 capital budget to Castlebrae High School and Bangholm sports facilities and note that a further report would be considered by the Finance and Resources Committee prior to any contract award.
  - 1.3.2 To note the revenue implications (included in the Business Case attached at Appendix 1 of the report) of proceeding with the Castlebrae High School replacement and Bangholm sports facility (Trinity Academy) projects as approved by the Education, Children and Families Committee on 21 June 2018.
  - 1.3.3 To note the detailed business case for the full Wave 4 investment programme, including all capital and revenue financial implications and the proposed delivery timescales, which was provided in Appendix 1 of the report.

- 1.3.4 To note that the anticipated capital funding gap for the Wave 4 Programme over the next 5 years would be considered as part of the Council's capital budget setting process in February 2019.
- 1.3.5 To approve that further work to provide more exact financial modelling on the long term capital and revenue implications of each specific project within the Wave 4 Programme (including the implications of adopting a Passivhaus or similar approach to design where possible) be progressed and provided where necessary as information to support the budget setting process in February 2019.
- 1.3.6 To approve that any opportunity to secure funding from the Scottish Government for infrastructure investment be progressed and that any funding secured was used to accelerate delivery of any projects based on the prioritisation for investment approved by the Education, Children and Families Committee on 21 June 2018.

## For Decision/Action

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- 2.1 The City of Edinburgh Council is asked to approve reallocation of the existing £25m Wave 4 capital budget to Castlebrae High School and Bangholm sports facilities and note that a further report would be considered by the Finance and Resources Committee prior to any contract award.

## Background reading / external references

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Finance and Resources Committee, 11 October 2018.

### Laurence Rockey

Head of Strategy and Insight

Contact: Stuart Johnston, Committee Services

E-mail: [stuart.johnston@edinburgh.gov.uk](mailto:stuart.johnston@edinburgh.gov.uk) | Tel: 0131 529 7035

## Links

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### Appendices

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10am, Thursday 11 October 2018

## Wave 4 Infrastructure Investment Programme

Item number

Report number

Executive/routine

Wards All

Council Commitments [28](#)

### Executive Summary

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The focus of the Wave 4 Infrastructure Investment Programme is the replacement of seven secondary schools throughout the city which have not benefitted from any investment through the PPP1, PPP2 or Wave 3 investment programmes.

The schools are Balerno High School, Castlebrae High School, Currie High School, Leith Academy, Liberton High School, Trinity Academy and Wester Hailes Education Centre (WHEC).

Appendix 1 provides a detailed business case for the Wave 4 investment programme which includes the preferred investment priorities over the next 10 years and the capital and longer term revenue financial implications.

The cost benefit analysis included in the business case demonstrates that six of the seven schools - Balerno High School, Castlebrae High School, Currie High School, Liberton High School, Trinity Academy and WHEC – should be replaced as funding becomes available based on the prioritisation previously approved by the Education, Children and Families Committee on 21 June 2018. The analysis also concluded the seventh and newest school – Leith Academy – should be retained with the recommended asset management works completed over the next five years.

## Wave 4 Infrastructure Investment Programme

### 1. Recommendations

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- 1.1 The Finance and Resources Committee are requested to:
- 1.2 Remit this report to full Council on 25 October 2018 to approve reallocation of the existing £25m Wave 4 capital budget to Castlebrae High School and Bangholm sports facilities and note that a further report will be considered by this committee prior to any contract award.
- 1.3 Note the revenue implications (included in the attached Business Case – Appendix 1) of proceeding with the Castlebrae High School replacement and Bangholm sports facility (Trinity Academy) projects as approved by the Education, Children and Families Committee on [21 June 2018](#).
- 1.4 Note the detailed business case for the full Wave 4 investment programme, including all capital and revenue financial implications and the proposed delivery timescales, which is provided in Appendix 1.
- 1.5 Note that the anticipated capital funding gap for the Wave 4 Programme over the next 5 years will be considered as part of the Council's capital budget setting process in February 2019.
- 1.6 Approves that further work to provide more exact financial modelling on the long term capital and revenue implications of each specific project within the Wave 4 Programme (including the implications of adopting a Passivhaus or similar approach to design where possible) is progressed and provided where necessary as information to support the budget setting process in February 2019.
- 1.7 Approves that any opportunity to secure funding from the Scottish Government for infrastructure investment is progressed and that any funding secured is used to accelerate delivery of any projects based on the prioritisation for investment approved by the Education, Children and Families Committee on [21 June 2018](#).

### 2. Background

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- 2.1 In a [report](#) to the Education, Children and Families Committee on the 22 May 2018 the following criteria were noted as being those on which future infrastructure investment in secondary schools would be prioritised through the Wave 4 programme:
  - Any existing building structure identified as having a short life expectancy would be top priority.

- Any existing building where core facilities do not support the necessary size of the expected future school roll would be a high priority.
  - Priority for any remaining schools would be determined based on the combined condition and suitability scores.
- 2.2 The secondary schools to be assessed were noted as being Balerno High School, Castlebrae High School, Currie High School, Leith Academy, Liberton High School, Trinity Academy and Wester Hailes Education Centre (WHEC).
- 2.3 A further [report](#) to the Education, Children and Families Committee on 21 June 2018 provided the results of the prioritisation process and the Committee approved the following recommendations to:
- Agree that the current wave 4 capital allocation of £25m is aligned to delivery of the Castlebrae High School replacement and Bangholm sports facility (Trinity Academy) projects.
  - Agree that a report is submitted to the Finance and Resources Committee which will include details of the capital and revenue implications of proceeding with the delivery of the Castlebrae High School replacement and Bangholm sports facility (Trinity Academy) projects.
  - Agree that the report to Finance and Resources Committee also includes detailed business cases for all of the other projects identified so that consideration can be given to how these projects could be funded in the future.
- 2.4 An update report on the [Revenue Budget Framework](#) 2018-2023 to the Finance and Resources Committee in June 2018 included details of prudential borrowing to allow a further £78m of capital investment in the Wave 4 programme from 2021. Further detail on this investment was provided in the [Council Change Strategy](#) report to the Committee on 27 September 2018. This funding is dependent on the Council setting a sustainable revenue budget. This proposed allocation was based on an assumption that the full Wave 4 programme could be delivered if 50% Scottish Government match funding was achieved. To date there has been no announcement from the government about a new funding programme but the advice to local authorities has been to proceed with the development of an investment strategy. The assumption throughout this report is therefore that definitive plans can be made for investing the capital funding which is currently proposed as being available which amounts to £25m in the current capital programme and the £78m additional investment proposal highlighted in the report to Committee in June 2018.
- 2.5 A report on the [Asset Management Strategy](#) to the Finance and Resources Committee on 27 September 2018 outlined that in order to further address the growing budget pressures of the size of the operational property estate, whilst also improving service outcomes for local communities, it is essential that the Council explores the delivery of multi-service community hubs, rather than single purpose

delivery buildings. This means that rather than delivering a new school, for example, a multi service learning campus would be developed on each occasion. This would include activities such as library, community space, early years, GP practice and local office activities, co-located in a single site. This would be predicated on the re-provisioning of existing services via the new hub and the closure of the associated venues to ensure the efficiency of the estate is maximised. While the specific opportunities will vary with each project, it is proposed that the opportunity to adopt this type of approach must be explored at the outset of every new capital build project. The scope would include Council delivered services and those of our partner organisations, such as NHS Lothian, Police Scotland, and third sector partners. This approach fully conforms with the Scottish Government's estate planning aspirations.

- 2.6 The remainder of this report, and in particular the detailed business case included in Appendix 1, provides the information requested to be submitted to the Finance and Resources Committee by the Education, Children and Families Committee and makes recommendations on how the Council should proceed with the Wave 4 infrastructure investment programme.
- 2.7 In addition to the Wave 4 investment programme to replace the Council's existing stock, further investment in education infrastructure will be required over the next 10 years to address rising school rolls in existing schools and for entirely new schools aligned to areas of the city which are growing due to substantial levels of new housing (e.g. West Edinburgh and South East Edinburgh). An update report on these issues including the latest school roll projections, details of infrastructure requirements and the revenue and capital financial implications will be submitted to the Education, Children and Families Committee in December 2018 so that any additional funding requirements can be considered as part of the February 2019 budget setting process.

### **3. Main report**

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- 3.1 The business case for investment through the Wave 4 programme is attached in Appendix 1. This business case outlines the educational, financial and other benefits of the Wave 4 investment programme and demonstrates in the longer term there will be revenue benefits from strategic replacement of secondary schools through the capital programme. Based on a reduction in total floorspace from current levels in the six replacement schools, and a move away from the current expensive reactive maintenance regime to a planned maintenance programme, it is expected that annual revenue savings could be achieved of £45k pa. Any increase in floorspace would, however, erode this saving.
- 3.2 As requested by the Education, Children and Families Committee on 21 June 2018 the business case therefore includes the estimated revenue implications of progressing with delivery of replacement projects for Castlebrae High School and Trinity Academy. For the latter project, Bangholm sports facility would be delivered as a first phase. Based on this analysis, it is recommended that the Education,



Children and Families Committee request for the current wave 4 capital allocation of £25m to be aligned to delivery of the Castlebrae High School replacement and Bangholm sports facility (Trinity Academy) projects is remitted to the full Council meeting on 25 October 2018 for final approval.

- 3.3 Further to committing the £25m as outlined above, the business case includes a scenario which shows the level of match funding that would be required in order to deliver all of the infrastructure requirements over the next five years. While this scenario is the ultimate intention, this aspiration will be clearer once the extent of Scottish Government funding is known. The business case therefore also provides a second scenario for investment of the £25m and the additional £78m proposed in [Revenue Budget Framework](#) 2018-2023 over the next five years. Based on this, the following is proposed as being the minimum which will be progressed for each school over the next 5 year period:

#### **WAVE 4 INFRASTRUCTURE DELIVERY– 2019-2024**

- **Currie** - New build 1,000 pupil school, retaining close links with neighbouring Woodlands Special School. A masterplan will be developed which will include assessment of opportunities across the remainder of the site for other development to assist with the funding gap.
- **Trinity** - New 1,200 pupil school positioned on the site to temporarily retain the existing tower building for decant, and standalone sports facilities on the Bangholm site. A masterplan will be developed which will include assessment of opportunities for disposal of the Victorian building and tower block to assist with the funding gap.
- **Castlebrae** – New 700 pupil school, with added facilities for future expansion. This project has already been approved by Education, Children and Families Committee, subject to ratification by Council for funding from the £25m capital investment programme allocation and developer contributions. The actual amount required will be supplemented by the financial return from the closure of the EDI Group as per the decision in the 2018/19 budget setting process.
- **Wester Hailes Education Centre** – It was concluded that further consultation is required with the local community to determine future service and accommodation needs. Therefore, it is proposed to proceed with a community engagement exercise to determine the scope for the replacement project. Once the scope is determined a masterplan will be developed which will include assessment of opportunities across the remainder of the site for other development to assist with the funding gap. In the event that insufficient funding is available to deliver all six schools in a single phase, it is recommended to proceed with asset management works funded from the asset management budget until funding becomes available for full replacement.
- **Liberton** – A new school is the ultimate aim and it is recommended that a masterplan process including full engagement with the school community and wider stakeholders is commenced now to determine the overall approach for

delivery of new facilities on the existing school site. The masterplan would include a phasing strategy to ensure that elements of the new school can be delivered if only part funding is available (e.g. funding from developers to address rising school roll pressures resulting from new housing in the school's catchment area). This building would, in effect, be a phase of the new school together with the existing sports facilities which would be retained. In the event that insufficient funding is available to deliver all six schools in a single phase, it is recommended to proceed with asset management works funded from the asset management budget until funding becomes available for full replacement.

- **Balerno** – A new school is also the ultimate aim for Balerno and a similar masterplan process to that described above for Liberton will be progressed. In the event that insufficient funding is available to deliver all six schools in a single phase, it is recommended to proceed with asset management works funded from the asset management budget until funding becomes available for full replacement.
- **Leith** – It is proposed to proceed with the recommended asset management works from the asset management budget over the next five-year period, until the school reaches the end of its life expectancy and requires replacement.

3.4 If Scottish Government funding is forthcoming to cover the full identified funding gap then all of the programme could be delivered over a 5 year period. If funding is available to only cover part of the gap then the projects would be delivered based on the prioritisation agreed by the Education, Children and Families Committee on 21 June 2018.

3.5 For all projects there will be an overarching principle to reduce energy consumption through adoption of Passivhaus specifications and certification (or a similar standard) where possible. In line with the Asset Management Strategy there will also be an overarching aim to maximise community use of any new facilities with the final scope for the facilities provided and services delivered to be agreed through a community led asset integration process. The masterplan process for each school will also consider opportunities for future expansion of capacity.

3.6 For the replacement Castlebrae project, due to the stage of design already progressed, delivery of a fully certified Passivhaus (or similar) solution would cause significant delay to completion of the new infrastructure and potentially require additional capital funding to be allocated before the project could progress. It has therefore been agreed by the Asset Management Board that the project will be progressed by the design team already commissioned although they will be tasked to develop an improved solution in terms of energy efficiency within the available budget. Opportunities for community use of the new infrastructure have already been agreed through the design process.

3.7 For all the other Wave 4 projects, starting with the development of a masterplan for a replacement Trinity Academy the scope for the facilities to be delivered will be determined following a community and partner engagement process to agree local

service requirements. Where it can be demonstrated that the new facilities allow consolidation of other Council and partner assets this will be proposed through the appropriate governance and Committee structures with the potential for any financial benefit to the delivery of new infrastructure identified.

#### **4. Measures of success**

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- 4.1 The provision of a school estate that will meet the needs of future pupils and the wider community.

#### **5. Financial impact**

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- 5.1 The Finance and Resources Committee formally approved a recommendation in March 2018 which means that all proposed Capital expenditure that has revenue consequences, must be considered by the Finance and Resources Committee for approval.
- 5.2 The financial implications on future capital and revenue budgets associated with the Wave 4 investment programme are included in the business case in Appendix 1 and have been considered in detail with colleagues in Property & Facilities Management and Finance services. The business case has been developed through the Communities and Families Asset Investment Group and presented to the Asset Management Board for consideration. Further work is required to develop these cost estimates, prior to the budget setting process in February 2019.
- 5.3 This report recommends the allocation of £25m from the CIP towards Castlebrae High School and Bangholm sports facilities, subject to Council approval. The estimated cost of these projects is estimated to be £44m including the transfer of land from the Housing Revenue Account. The current funding package assumes over £20m from developers' contributions, capital receipts and a dividend from the winding down of EDI. Further work will be required to confirm the robustness of both capital cost estimates and the funding package before any construction can proceed. A further report will be provided to this committee prior to any contract award.
- 5.4 The report outlines in paragraph 5.3 total capital expenditure plans of £44m requiring a loans fund advance of £25m. The overall loan charges associated with this over a 20 year period would be a principal amount of £25m and interest of £15.921m resulting in a total cost of £40.921m at a loans fund rate of 5.0%. The loans charges will be interest only in the first year, at a cost of £0.640m followed by an annual cost of £2.014m for 20 years.
- 5.5 The net capital expenditure and loans fund advance requirement is contained within the Capital Investment Programme approved by Finance and Resources on September 2018. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy. The

loan charges outlined above are allowed for within the current long term financial plan.

- 5.6 The design process for the Castlebrae High School replacement and Bangholm sports facility projects has continued so that there is no delay in final delivery of these projects if full budget approval is forthcoming. If these projects are ultimately not delivered, any expenditure incurred to that point will need to be met from existing Communities and Families revenue budgets.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 Any project led by Communities and Families is aligned to all the necessary Council risk, policy, compliance and governance requirements.
- 6.1 The most significant risk is that the measure of success will not be achieved due to funding not being secured.

## **7. Equalities impact**

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- 7.1 Promoting inclusion, improving accessibility and provision for effective Additional Support for Learning are explicit objectives in terms of improving the school estate.

## **8. Sustainability impact**

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- 8.1 Any Communities and Families assets which are improved or delivered as a result of Wave 4 investment and any subsequent statutory consultations will be fully integrated with the wider asset priorities of the Council and its partners to ensure a sustainable approach to future asset provision.

## **9. Consultation and engagement**

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- 9.1 Any statutory consultation required for changes to the school estate will be undertaken according to the procedures set out in the Schools (Consultation) (Scotland) Act 2010 as amended by the Children and Young People (Scotland) Act 2014.

## **10. Background reading/external references**

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- 10.1 Links to previous Wave 4 reports are as follows:
- [City of Edinburgh Council, 25 September 2014.](#)
- [City of Edinburgh Council, 20 August 2015.](#)
- [Education, Children and Families Committee, 22 May 2018.](#)
- [Education, Children and Families Committee, 21 June 2018.](#)

## 11. Appendices

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### 11.1 Appendix 1 – Wave 4 Infrastructure Investment Business Case

#### **Alistair Gaw**

Executive Director for Communities and Families

Contact: Crawford McGhie, Senior Manager – Estates and Operational Support

E-mail: [crawford.mcghie@edinburgh.gov.uk](mailto:crawford.mcghie@edinburgh.gov.uk) | Tel: 0131 469 3149

# Wave 4 Infrastructure Investment

## Outline Business Case Document

Project Details	Description
Project Name	Wave 4 High School Infrastructure Investment
Functional Area	Communities and Families
SRO	Senior Manager – Estates and Operational Support
Project Manager	
Finance Lead	

### Revision History

Version Number	Description	Date Modified	Author
1.0	Draft JD/LG update	17/8/18	
2.0	Draft update LG	22/8/18	
3.0	AMB update LG	31/8/18	
4.0	Update CMcG	6/09/18	
5.0	Financial update LG/RA	7/09/18	
6.0	CLT update - LG	12/09/18	
7.0	Update - CMcG	21/09/18	
8.0	Update CMcG	26/09/18	
9.0	Update CMcG, RA and LG	3/10/18	

### Approvals

The signatures of the people below indicate an understanding in the purpose and content of this document by those signing it.

Name	Version Approved	Role	Date
PFM	L Glasgow		17/8/18
Service Department	C McGhie		22/8/18
Asset Management Board	S Moir		27/8/18
CLT	P Lawrence		12/9/18
Committee			

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## Executive Summary: Description of proposal (Strategic Case)

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### Summary

There are seven remaining high schools in Edinburgh without significant capital investment. This business case sets out a phased plan to replace or upgrade these remaining schools.

The cost benefit analysis included in the business case demonstrates that six of the seven schools - Balerno High School, Castlebrae High School, Currie High School, Liberton High School, Trinity Academy and WHEC – should be replaced as funding becomes available based on the prioritisation previously approved by the Education, Children and Families Committee on 21 June 2018. The analysis also concluded the seventh and newest school – Leith Academy – should be retained with the recommended asset management works completed over the next five years.

The total estimated for six new build high schools is £207m at 2018 prices. This figure does not include all costs and is likely to increase significantly to include inflation, abnormals and site costs where the land for the new schools is not held by the general fund. This business case sets out the implications of a programme to replace these schools. The current Council funding expected to be available to the programme, £103m by 2024, could see the delivery of the first three priorities, Currie, Trinity and Castlebrae by 2024. The funding gap for replacing the remaining schools, WHEC, Liberton and Balerno, is set out in the business case and is likely to require Scottish Government funding to be available if these schools are to be replaced within a similar timescale.

A report on the [Asset Management Strategy](#) to the Finance and Resources Committee on 27 September 2018 outlined that in order to further address the growing budget pressures of the size of the operational property estate, whilst also improving service outcomes for local communities, it is essential that the Council explores the delivery of multi-service community hubs, rather than single purpose delivery buildings. This means that rather than delivering a new school, for example, a multi service learning campus would be developed on each occasion. This would include activities such as library, community space, early years, GP practice and local office activities, co-located in a single site. This would be predicated on the re-provisioning of existing services via the new hub and the closure of the associated venues to ensure the efficiency of the estate is maximised. It is proposed that the opportunity to adopt this type of approach must be explored at the outset of every new capital build project. The scope would include Council delivered services and those of our partner organisations, such as NHS Lothian, Police Scotland, and third sector partners. This approach fully conforms with the Scottish Government's estate planning aspirations.



## Stage 1: Scope and Approach (The Case for Change)

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### Vision

- 1.1 The Council's ambition is to replace poor condition high school buildings and deliver modern, fit for purpose, learning campuses which are well designed and inspirational places for learning. The vision is to develop good quality and nurturing environments that not only meets all future educational needs but also benefit the wider local communities. These facilities will provide new versatile campuses which function as community hubs, with improved community access out with school hours, which will see the asset being used intensively to the whole community's advantage.

### Background

- 1.2 Since 2000 the Council has undertaken a significant and sustained level of investment in its school estate. As the Wave 3 investment programme nears completion, it was agreed by Council in 2014 that future funding in the school estate priorities – Wave 4 – would be developed on the same basis as previous initiatives and focus mainly on secondary schools, along with other schools rated as being in poor condition.
- 1.3 The rationale for the focus on secondary schools was that the replacement, or partial renewal or upgrade, of a secondary school would benefit a greater number of pupils. The type of specialist facilities provided in a secondary school are also more complex and more prone to becoming outdated and therefore more likely to require upgrade to ensure they reflect the modern curriculum.

### Scope

- 1.4 There are seven existing secondary schools which have had limited investment in the last twenty years and are approaching their operational service life expectancy. The seven, with their construction dates, are listed below:
  - Balerno (Built 1983)
  - Castlebrae (Built 1975)
  - Currie (Built 1966 and significant refurbishment in the mid '90s)
  - Leith (Built 1991)
  - Liberton (Built 1959 and upgrade of PE facilities 2017)
  - Trinity (Built 1893; extensions added in the 60's, 70's and 90's)
  - Wester Hailes Educational Campus (WHEC) (Built 1978)
- 1.5 The normal anticipated life for a new build is in the region of 50 years, assuming a planned and routine maintenance regime is in place.

### Case for Change

- 1.6 Given the age of these high schools, the ongoing use and wear and tear, the logical conclusion is that failure of materials and components will increase significantly over

the next 5 years and beyond. It is therefore anticipated that significant capital expenditure will be necessary not only in the short term, (the next one to five years), but will require significant and sustained levels of expenditure beyond this period for the remaining operational life of each building.

### **Benefits Realisation**

- 1.7 The benefits of offering multi-faceted community facilities not only supports Education, Children and Families service delivery objectives but also improves asset performance. Council pledges to deliver two new high schools by 2021 have been agreed by the Administration.
- 1.8 It is expected to achieve improved educational outcomes through the following:
- Improved learning environments - modern, fit for purpose facilities keeping abreast of technological innovation;
  - Improved learning - better environmental conditions, especially the reduction in CO2 levels proven to affect learning and concentration;
  - Improved community access to enhanced facilities to improve life-long learning opportunities.
- 1.9 It is also expected to achieve operational estate benefits through the following:
- Significantly improving asset condition;
  - Maximising usage of the asset, improving efficiency of use;
  - Reducing operational costs through careful consideration of design to reduce running costs (eg passivhaus principles);
  - Reducing operational costs by releasing other, out of date, costly surplus assets elsewhere, for re-provision within the community campus; and
  - Consolidating the use of sites to release surplus site area to generate receipts/income to offset the cost of provision of the new facility, and release sites to assist with other Council objectives such as the delivery of affordable homes.
- 1.10 A number of permutations for school provision were considered over the course of 2017/18 for the south west area of Edinburgh, affecting three of the high schools in the Wave 4 scope (Balerno, Currie and WHEC). This included options to consolidate the estate into fewer establishments, or retain the status quo for the number of establishments. The conclusion of this exercise was approved at Education, Children and Families Committee in June 2018, where the permutation based on the status quo remaining was approved.
- 1.11 In order to meet desired timelines for delivery, Education, Children and Families Committee has approved, subject to Council ratification, that two projects proceed with the first £25m of allocated funding. These projects are the provision of a new community learning campus for Craigmillar, and the first phase of replacement for Trinity Academy, providing a new sports complex at Bangholm playing fields. These two projects fully utilised the £25m available funding.

## Prioritisation Process

1.12 In May 2018, the Education, Children and Families Committee reconfirmed the process previously approved by the Council to assess the priority for investment in each of the existing schools would be similar to that applied for the Wave 3 schools project. This considered the following factors:

1. **Structural:** If the existing building structure was identified as having a short life expectancy the school would proceed to the shortlist;
2. **Sufficiency:** If the core facilities (ie sports and social space which are not readily extendable) could not support the necessary size of the expected future school roll then the school would proceed to the shortlist; and
3. **Condition/Suitability:** For any remaining schools not already shortlisted as a result of either of the above criteria, those with the lowest combined condition and suitability scores would proceed to the shortlist.

### **Outcomes - Priority 1 Structural:**

1.13 Currie High School – a structural investigation in 2017 into Currie High School identified that, while there were not any immediate health and safety concerns, the structure is approaching the end of its lifespan and will require to be replaced within the next five years. This would effectively require a complete school re-build, the planning for which required to commence as soon as possible. Accordingly, Currie has been afforded the highest priority for replacement. A visual structural assessment of all other secondary schools in the Wave 4 scope has been completed and no other defects have been identified.

### **Outcomes - Priority 2 Sufficiency:**

1.14 Trinity Academy was identified as having insufficient core facilities to support the existing school roll. The core facilities are embedded in the heart of the school, meaning that addressing this issue requires wholesale replacement. This position will be exacerbated further as the roll continues to increase. Accordingly, Trinity achieved the second highest priority for replacement. All other schools within the Wave 4 scope had sufficient core facilities to meet the generic brief for their size.

### *Overall Trends in Secondary School Rolls*

1.15 An assessment of roll trends is given below and in Appendix 1. However, it is considered that rising rolls can be resolved relatively simply, by extending the school, rather than necessitating the school's entire replaced. Accordingly, a rising roll was not, by itself, considered sufficient justification for replacing a school in the Wave 4 prioritisation process.

1.16 The city's secondary school estate has a capacity of 22,400 places. Although the secondary school rolls have been experiencing a recent decline in numbers with the roll of 18,145 in 2016, it is anticipated, as the rising school rolls in the primary sector work through the secondary estate, that rolls will increase. The effect of the number of S1 pupils increasing and higher stay on rates of S4 to S6 pupils, is that the existing capacity will be exceeded by 2023 with a total anticipated roll of 22,968. Rolls will

continue to rise thereafter, with pupils increasing to a peak of 24,230 by 2027. The individual Wave 4 School roll projections 2020-27 are shown in Appendix 1.

1.17 The additional secondary school infrastructure required to support the Local Development plan and the growth in new housing across the Wave 4 schools is estimated to be:

- Castlebrae – 261 additional pupils
- Leith / Trinity – 251 additional pupils
- Liberton / Gracemount – 522 additional pupils

### **Outcomes - Priority 3 Condition/Suitability:**

#### *Building Condition*

1.18 The Council undertook condition surveys in 2017 to assess the building condition over a five-year period in line with the Scottish Government core facts guidance. The outcomes are described below, and the individual condition scores shown in Table 1. Detail of the cost of upgrade is illustrated in the financial section.

- Castlebrae, Currie, Trinity and WHEC condition has been rated as C: Poor – Showing major defects and/or not operating adequately;
- Balerno, Leith and Liberton condition has been rated as: B: Satisfactory – Performing adequately but showing minor deterioration.

1.19 The surveys, which are visual condition surveys, do not take into consideration obsolescence of plant, material or components beyond a five-year period, or changes in legislation or regulation. Over a 30-year period some elemental replacements need to be factored into the cost plan more than twice. Many of the original systems and components are still in use, and although some are still in reasonable working order, some are approaching or exceeding their design life expectancy and are at risk of imminent failure. The overall condition of the schools has been exacerbated by historic lack of routine and planned preventative maintenance.

#### *Suitability*

1.20 The suitability of each of the high schools has been assessed to determine how well the design and layout of a school building and grounds works, to support quality learning and teaching methods and other services provided to children and the school community.

1.21 The way in which suitability is assessed for all schools in Scotland is by following a process and methodology which has been developed by the Scottish Government, set out in the Suitability Core Facts guidance. The suitability assessment is broken down into five factors: General and Practical Learning and Teaching Space; Internal Social Space; Internal Facilities; External Social Space; and External Facilities. The results of these assessments for the Wave 4 schools is set out below, with the individual suitability scores shown in Table 1.

- Balerno, Castlebrae, Liberton, Trinity and WHEC have been assessed with a suitability of C: Poor;

- Currie and Leith have been assessed with a suitability of B: Satisfactory.

### Priority Ranking

1.22 The combination of the three evaluation criteria is set out in the table below. Priority 1 (structural lifespan) and Priority 2 (sufficiency of core facilities) have been assessed on a Yes/No basis. Priority 3 was determined by combining the condition score and suitability score to provide an overall score. The conclusion of the ranking process is outlined below. Note that the blended score for Currie and Trinity has been shown for completeness, but both schools already proceed as a priority due to the other criteria.

**Table 1: Priority Order of Wave 4 Schools**

High School	Priority 1 Structure	Priority 2 Sufficiency	Priority 3 – Blended Score		
			Condition	Suitability	Blended
Currie	YES	NO	58	69.5	63.75
Trinity	NO	YES	51	54.5	52.75
Castlebrae	NO	NO	54	50.5	52.25
WHEC	NO	NO	56	50.5	53.25
Liberton	NO	NO	61	51.5	56.25
Balerno	NO	NO	69	59	64
Leith	NO	NO	82	70	76

### Building Specification

1.23 The programme is aiming to address the following objectives in terms of specification.

1.24 To mitigate the impact of pupils from new developments the new education infrastructure should:

- Deliver a multi-purpose campus;
- Be efficient in terms of class organisation, management, and operation (1200 or 1400 place high schools);
- Deliver a good learning environment with appropriate supporting facilities (gym, dining hall, outdoor space, general purpose space);
- Be adaptable to ensure that the school can respond to future changes in its catchment population;
- Be accessible and well located to serve the catchment population; and
- Meet the needs of increasing number of pupils with special needs.

1.25 The programme is also seeking to ensure that where possible any new developments achieve improved environmental and energy performance (e.g. Passivhaus certification or a similarly rigorous energy and quality assurance standard). The benefits of achieving this standard, increases comfort for building users, reduces energy consumption and achieves higher quality buildings. The key quality criteria to achieve Passivhaus accreditation are:

- super insulated;
- Free from thermal bridges;
- Very low air leakage; and
- Mechanically ventilated with heat recovery.

## Stage 2: Design Option Appraisal (Economic Case)

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- 2.1 It is necessary to take a long-term view when planning and assessing options to determine whether refurbishment or replacement is more cost effective when considering whole life cost appraisals.
- 2.2 A number of feasibility studies have been carried out for each school (excluding Leith which due to its high condition scoring is not deemed to be requiring replacement at this time). Refurbishment options were included as part of the feasibility process. A stage one assessment of options identified that, due to the decant implications, the estimated costs and protracted timescales for delivery, refurbishment was deemed as an inappropriate solution.
- 2.3 The refurbishment options:
- Did not demonstrate best value, and in some instances costs were higher than new build;
  - Provided limited extension to the assets' operational life, due to the age of the original structures;
  - Compromised fitness for purpose, sufficiency, and suitability improvements;
  - Did not provide the flexible types of learning spaces required to deliver a modern curriculum; and
  - Were deemed the most disruptive option for building users and staff.
- 2.4 Therefore, the refurbishment options were excluded from the evaluation process. The Wave 4 School Option Appraisal costs are shown in Appendix 2.
- 2.5 The subsequent detailed option appraisal focuses on the three options set out below:
1. Do minimum – status quo; repair and maintain for the next five-year period and extension where required;
  2. Partial New Build and retain some existing buildings;
  3. Complete new build.
- 2.6 A workshop took place where each option was considered against the following criteria:
- A Building Condition/Asset Management/Cost-in-Use
  - B Sufficiency/appropriate site
  - C Accessibility (needs)
  - D Education amenity/enhancement
  - E Sustainability
  - F Future flexibility
  - G Community access/integrated services

H Design  
 I Deliverability – time  
 J Avoidance of educational disruption

- 2.7 Each objective was weighted for importance from 1 to 5 (1 - low, 5 - high). Each of the options was then scored on how well they would achieve the objective, from 1 to 10 (1 – low 10 – high). The detailed option appraisal is illustrated in Appendix 3.
- 2.8 The appraisal process identified that a new build solution in each case would be the ideal outcome. Providing new, well-designed, energy efficient buildings that would achieve a bespoke, fit for purpose solution aligned to modern teaching methods, offering flexible accommodation and enhanced outdoor sports provision that would also benefit the local communities.

### Stage 3: Financial Analysis (Financial Case)

- 3.1 The following section sets out the financial implications of the Wave 4 programme; both capital and revenue implications for a 30-year period.

#### Cost of Programme

- 3.2 The full capital cost of the programme to deliver new build solutions throughout has been established as £207m at 2018 prices, as set out below.

Priority	Wave 4 Schools	Cost (2ndQ'18)	Comments
1.	Currie	£36,760,000	1,000 pupils
2.	Trinity	£43,650,000	1,200 pupils New build includes sports facilities and pool at Bangholm (construction cost of £8,720,000) which will be delivered as Phase 1.
3.	Castlebrae	£26,435,000 (plus land costs of £5-10m)	700 pupil school with flexibility for expansion
4.	WHEC	£25,290,000	600 pupil school excludes enhanced community facilities
5.	Liberton	£34,520,000	1,200 pupil school retain existing gym and dance studio. First phase and masterplan for new school to be delivered through rising rolls programme.
6.	Balerno	£40,510,000	1,000 pupil school with full decant. Interim extension to be delivered through rising rolls programme.
	<b>TOTAL</b>	<b>£207,165,000</b> (plus land costs of £5-10m for Castlebrae)	

## **Table 2 Capital Costs for Individual Schools**

- 3.3 The cost exclusions are noted in Appendix 4. It should be noted that inflation and land will require a significant uplift to the base figures.
- 3.4 The costs are based on a generic floor area being applied to each school in line with the SFT's schools' metrics. Any additional floorspace or uplift to the specification will increase the budget requirements and will impact on annual running costs.
- 3.5 The existing schools account for around 85,500m<sup>2</sup> of floorspace. As some are currently significantly larger than required by their forecast roll, if all were replaced to the SFT's metrics this programme would represent a reduction of 7,500m<sup>2</sup> in floor space.

### **Revenue implications**

- 3.6 Generally, buildings cost five times more to run than to build over the course of their life. Accordingly, the life cycle costs of running the building are of paramount importance. Various scenarios have been costed for each school considering the status quo of retaining the existing building, versus the provision of new build.
- 3.7 It should be noted that the while a financial appraisal of the differing solutions has been undertaken, it is not comparing a like for like solution. Retaining the existing buildings may address condition issues to some extent, but cannot compare with the provision of a completely new building (this is reflected in the life cycle cost analysis). There is also a significant improvement in fitness for purpose of a modern environment that a new build can deliver. There will also be a significantly higher risk profile associated with retaining the existing buildings, particularly that of future building failure, and risk of decant (with its associated costs) being required to allow building upgrade to take place. A partial decant allowance has been made in the existing building cost evaluation.
- 3.8 The Council appointed Doig and Smith, quantity surveyors, to undertake the life cycle analysis of the various options for each school. This demonstrated a lifecycle cost of more than double to retain an existing building compared to a new build (£170/m<sup>2</sup> compared to £79/m<sup>2</sup> –including capital requirements).
- 3.9 The existing Wave 4 schools account for around 85,500m<sup>2</sup> of floorspace. Some are significantly larger than required by their forecast roll. If all were replaced to the SFT's metrics this programme would represent a reduction of 7,500m<sup>2</sup> in floor space. Where existing schools are retained, the Council is paying for unnecessary space.
- 3.10 The table below illustrates the current running costs of the schools, amounting to £4.94m pa. The estimated revenue running costs for new build solutions for the six schools amount to £4.895m pa. This forecast is based on a 9% reduction in overall floorspace, a reduced R&M spend, with the most significant uplift in costs being attributable to a rise in rateable value as a consequence of new build.



<b>Wave 4 Running Costs - Existing Schools per annum</b>					
School	Annual Running Costs R&M	Annual Running Costs Utilities	Annual Running Costs Rates	Annual Cleaning Costs	Total Property Running Costs
Balerno High School	£70,846	£116,017	£185,238	£169,609	<b>£541,710</b>
Castlebrae High School	£205,774	£90,718	£132,102	£167,144	<b>£595,738</b>
Currie High School	£165,118	£132,101	£221,646	£206,839	<b>£725,704</b>
Leith Academy	£131,538	£182,587	£264,696	£209,933	<b>£788,754</b>
Liberton High School	£158,085	£119,759	£213,282	£223,465	<b>£714,591</b>
Trinity Academy	£138,094	£135,097	£193,110	£199,614	<b>£665,915</b>
WHEC	£117,163	£288,316	£232,733	£270,317	<b>£908,529</b>
<b>TOTAL</b>	<b>£986,618</b>	<b>£1,064,595</b>	<b>£1,442,807</b>	<b>£1,446,921</b>	<b>£4,940,941</b>

<b>Wave 4 Running Costs - New build per annum</b>					
School	Annual Running Costs R&M	Annual Running Costs Utilities	Annual Running Costs Rates	Annual Cleaning Costs	Total Property Running Costs
Balerno High School	£74,055	£165,316	£295,000	£200,600	<b>£734,971</b>
Castlebrae High School	£53,010	£129,208	£210,000	£142,800	<b>£535,018</b>
Currie High School	£74,055	£165,316	£295,000	£200,600	<b>£734,971</b>
Leith Academy (existing)	£131,538	£182,587	£264,696	£209,933	<b>£788,754</b>
Liberton High School	£73,955	£163,192	£290,000	£197,200	<b>£724,347</b>
Trinity Academy	£89,335	£188,680	£350,000	£238,000	<b>£866,015</b>
WHEC	£50,513	£124,960	£200,000	£136,000	<b>£511,473</b>
<b>TOTAL</b>	<b>£546,461</b>	<b>£1,119,259</b>	<b>£1,904,696</b>	<b>£1,325,133</b>	<b>£4,895,549</b>

**Notes:**

- R&M revenue costs modelled by Doig & Smith; capital life cycle of £11/m<sup>2</sup> pa excluded;
- Utilities based on average cost of recent new build schools at £10.62/m<sup>2</sup> plus water charges of £40k per school (snapshot of current prices and subject to fluctuation)
- Cleaning based on £17/m<sup>2</sup> based on the actual, all-in, cost of cleaning Boroughmuir HS, inc staff, materials etc;
- Non Domestic Rates based on actual new build high schools averaging £25/m<sup>2</sup> (note Boroughmuir NDR discounted due to being 5 stories)

3.11 The forecast running costs set out above are based on traditional building design. Should the Passivhaus, or similar, approach be developed and bring the expected benefits, there would be a considerable decrease in the utilities costs. An initial estate undertaken applying the benefits of Passivhaus indicates a saving of up to £435k pa of utilities cost could be achieved if it were applied to all six replacement schools.

**Funding Solutions**

*Developer Contributions*

3.12 The funding strategy presumes that all applicable developer contributions collected under Section 75 of the Town and Country Planning (Scotland) Act, will be applied to the funding gap for the Wave 4 schools. There is anticipated to be some level of contribution for each school, the most significant of which is for the replacement of Castlebrae. In addition, returns to the Council from the closure of EDI will supplement the capital investment programme for Castlebrae. However, in a number of school catchments there is limited new development, with the need for replacement being

driven by asset condition and the need for fit for purpose facilities, rather than rising rolls.

3.13 The risk of relying on developer contributions as a funding stream should be noted, as there is a risk that the level of contribution is either not fully forthcoming, or is received later than anticipated, leading to increased borrowing costs. The contributions are tied into the rate of build in the housing developments, which is out with the Council's control. There is also a risk that developers can challenge the previously agreed developer contribution rates through planning appeal.

3.14 The following developer contributions are expected for the Wave 4 schools. In line with the Local Development Plan financial modelling, the sums assume that 60% of the contributions are received, to mitigate the risks set out above. It should be noted, however, that if the replacement of the school is too far in the future, these contributions will have to be utilised to create the necessary capacity earlier. It may be possible to create the new block of accommodation as a first phase of an eventual new school.

- Trinity Academy: £2.56m
- Castlebrae high School: £7.84m (plus any returns from the closure of EDI)
- Liberton high School: £9.95m (covers the capacity requirement for both Liberton and Gracemount).

#### *Surplus Land – Capital Receipts*

3.15 Given the scale of the funding challenge, it is recommended that capital receipts associated with surplus sites in the project should be pursued wherever possible. While no decisions have been made to date on the use of surplus sites this is something which will be considered during the Masterplan process for each project because receipts could be necessary as a means of achieving, and bringing forward, the programme of school replacement. They may also offer the opportunity to assist with the delivery of the Council's affordable homes objective. At present the following opportunities have been identified which will be given further consideration during the masterplan process for each school:

- Castlebrae – releases existing site upon relocation of the school, estimated at £5m;
- Currie – consolidation at the east end of the site allows for some surplus land to be generated at the western side, estimated at £4.8m;
- Trinity – exit of Victorian building and tower block at the front of the site upon completion of the new school, estimated at £4.7m;
- WHEC – consolidation of footprint in new build proposal to release land at the western end, estimated at £3m;
- Liberton – opportunity for release of part of site once a new building is delivered, estimated at £4.8m.

#### *Rationalisation*

3.16 In line with the Council's Asset Management Strategy, when delivering these new community assets, the opportunity should be taken to consider what other facilities

could operate from the new learning campus. This will require a more intensive use of space based on co-location and the principle of shared space. For this strategy to be successful, it will require the rationalisation of other, out of date facilities in poorer condition, into a modern environment. The consolidation of assets into a single hub, rather than the continued operation of multiple, older facilities would allow the revenue streams to be redirected to the new asset, helping to improve the funding gap position. The scope of the opportunity for this would be established as part of the scope setting exercise for each project.

### *Capital Investment Programme*

3.17 Given the magnitude of the funding required to achieve the ambition of replacing all high schools across the estate, and the significant budget pressures on the Council, it is anticipated that this programme will take a significant period to complete. Financial modelling of costs, capital receipts and developers contributions indicates that Castlebrae, Trinity and Currie can be delivered within existing capital budgets and the additional £78m proposed in the budget framework within a five year period. This will require further work to manage the profile and spend in line with budget availability. Should match-funding be provided by Scottish Government, the Council would be able to deliver more of the Wave 4 programme within that timeframe. A detailed cash flow of costs and funding for two scenarios is shown in Appendix 5. The first shows the estimated funding gap if all the programme were to be delivered in 5 years. The second shows delivery over a longer 10 year period. As a minimum it is therefore considered that the following are the preferred actions for each school during the first 5 year period of the programme:

- **Currie**

New build 1,000 pupil school, retaining close links with neighbouring Woodlands Special School. A masterplan will be developed which will include assessment of opportunities across the remainder of the site for other development to assist with the funding gap

- **Trinity**

New 1,200 pupil school positioned on the site to temporarily retain the existing tower building for decant, and standalone sports facilities on the Bangholm site. A masterplan will be developed which will include assessment of opportunities for disposal of the Victorian building and tower block to assist with the funding gap.

- **Castlebrae**

New 700 pupil school, with added facilities for future expansion. This project has already been approved by Education, Children and Families Committee, subject to ratification by Council for funding from the £25m capital investment programme allocation and developer contributions.

- **Wester Hailes Education Centre**

It was concluded that further consultation is required with the local community to determine future service and accommodation needs, before the options could be evaluated. Therefore, it is proposed to proceed with a community engagement exercise to determine the scope for the replacement project. Once the scope is determined a masterplan will be developed which will include assessment of

opportunities across the remainder of the site for other development to assist with the funding gap. In the event that insufficient funding is available to deliver all six schools in a single phase, it is recommended to proceed with asset management works funded from the asset management budget until funding becomes available for full replacement.

- **Liberton**

A new school is the ultimate aim and it is recommended that a masterplan process including full engagement with the school community and wider stakeholders is commenced now to determine the overall approach for delivery of new facilities on the existing school site. The masterplan would include a phasing strategy to ensure that elements of the new school can be delivered if only part funding is available (e.g. funding from developers to address rising school roll pressures resulting from new housing in the school's catchment area). This building would, in effect, be a phase of the new school together with the existing sports facilities, which would be retained. In the event that insufficient funding is available to deliver all six schools in a single phase, it is recommended to proceed with asset management works funded from the asset management budget until funding becomes available for full replacement.

- **Balerno**

A new school is also the ultimate aim for Balerno and a similar masterplan process to that described above for Liberton will be progressed. In the event that insufficient funding is available to deliver all six schools in a single phase, it is recommended to proceed with asset management works funded from the asset management budget until funding becomes available for full replacement.

- **Leith**

It is proposed to proceed with the recommended asset management works from the asset management budget over the next five-year period, until the school reaches the end of its life expectancy and requires replacement.

If Scottish Government funding is forthcoming to cover the full identified funding gap then all of the programme could be delivered over a 5 year period. If funding is available to only cover part of the gap then the projects would be delivered based on the prioritisation agreed by the Education, Children and Families Committee on 21 June 2018.

- 3.18 Both scenarios take into account the Education, Children and Families Committee recommendation to progress Castlebrae and the Bangholm element of Trinity with the current allocation of £25m in the CIP. If delivery is fully dependent on expected available Council funding then the balance is assumed to be attributable to Currie and the full replacement at Trinity in the first five years of the programme in line with the Wave 4 prioritisation. In this scenario the community engagement at WHEC will be funded through existing resources. The masterplan process for Liberton and Balerno and any delivery of initial masterplan phases would be funded through existing resources or future updates to rising rolls budgets. The solution for Leith is refurbishment reflecting the more recent age of this building, and in response to the budget limitations.

## Stage 4: Benefits and Efficiencies

The table below sets out the benefits; cashable and non-cashable and the efficiencies, which the preferred option to dispose of the building would create.

*NB: This table will be completed in line with the further work on budgets to be progressed for the budget setting process in February 2019.*

Benefit Summary	Action Type	Description	First year costs (- indicates anticipated savings)
Delivery / implementation cost			
Cashable benefit			
Cashable benefit			
Non Cashable benefit			
Non Cashable benefit			
Efficiency from disposal			
FM staffing benefit			

## Stage 5: Implementation plan (Management Case)

Below is a summary of the critical path of the project shown through high-level milestones which are linked to deliverables and outputs with assigned owners.

Milestone	Deliverable/output	Owner	Milestone Date (Phase1)	Milestone Date (Phase 2 *)
Concept	Feasibility	Schools and Lifelong Learning	August 2018	August 2018
Business case	Outline Business Case	C&F/Resources	October 2018	October 2018
Stakeholder engagement	Informal and Formal Consultation	Schools and Lifelong Learning	2017 - 2019	2017 - 2019
Change management	Design development with users	Schools and Lifelong Learning	2017 - 2019	2021-2023
Implementation	On Site/ Construction	Schools and Lifelong Learning	2020 - 2025	2025 - 2030
Benefits management	Education Improvement Plan/ Passivhaus Certification (or equivalent)	C&F/Resources	2021 - 2026	2026 - 2031
Post project evaluation	Post Occupancy Review/ Lessons Learnt	Schools and Lifelong Learning	2021 - 2026	2026 - 2031

\*Note: Phase 2 milestones will be dependent on future funding availability

## Stage 6: Risks, Assumptions and Dependencies

Risk	Impact	Likelihood	Risk Rating	Mitigating Action
Lack of capital funding	5	5		Identify surplus assets to supplement funding. Ensure developer contributions are fully utilised
Insufficient revenue budgets	5	5		Ensure design and specification addresses reduced running costs
Rising costs due to inflation and market capacity	4	3		Consider up front funding to deliver programme quicker to avoid inflation
Scope creep due to inclusion of community facilities without the corresponding closure of outdated assets	4	3		Project controls and political buy in to rationalisation

Risk Key:

Rating	Probability - Impact
1	Little or no impact
2	Minor impact
3	Fairly significant impact
4	Very significant impact
5	Project could not carry on

Rating	Probability – Likelihood
1	Very unlikely to occur
2	Quite unlikely to occur
3	50:50 chance of occurring
4	Quite likely to occur
5	Very likely to occur

Dependencies / Enablers	Dependent	Responsible officers	Operational Actions
Enhanced role of schools as true community hubs with open access		Schools and Lifelong Learning	
Delivery of surplus assets for disposal to assist with capital funding and reducing running cost burden		Strategic Asset Planning	
Involvement of communities to determine local scope of project to create community hub		C&F/Resources	

## Stage 7: Impact Assessment

Below is a summary of the potential impacts of the proposed project and the anticipated mechanisms to mitigate them.

*NB. An Integrated Impact Assessment process is underway and will be completed before the budget setting process in February 2019.*

Theme	Potential impact	Comments / mitigating action
Equalities & Rights		
Sustainability, Mitigation, Adaptation		
Engagement, Consultation & Co-production		
Citizens & service users		
Community Planning Partners*		
Council staff		
Commercial Conflicts		

## Stage 8: Communications and Change

Project Activity	Communications / Change Activity	Owner
Wave 4 Communications and Engagement Strategy	Overarching strategy to ensure consistent messaging/approach for all stakeholders including politicians and media	Communications/C&F/Strategic Asset Planning
Engagement Plans	Developed for each individual school/project to take account of individual circumstances and stakeholders	Comms/C&F/Strategic Asset Planning



Appendix 1: School Roll Projections

Appendix 2: Comparative Costs: Refurbishment v New Build

Appendix 3: Option Appraisal

Appendix 4: Capital Cost Exclusions

Appendix 5: Capital Cost Financial Analysis

## APPENDIX 1 – Wave 4 School roll projections 2020-27

Wave 4 Schools	School Capacity	2020	2021	2022	2023	2024	2025	2026	2027
Balerno	850	836	871	892	912	915	915	915	915
Castlebrae*	600	306	385	460	542	573	592	597	599
Currie	900	754	784	822	831	847	863	894	920
Leith	950	916	942	975	969	975	975	975	966
Liberton	850	720	789	878	966	1022	1084	1140	1201
Trinity	950	843	882	902	935	960	962	974	979
WHEC	750	355	384	398	405	412	420	412	398
<b>TOTAL</b>	<b>5850</b>	<b>4730</b>	<b>5037</b>	<b>5327</b>	<b>5560</b>	<b>5704</b>	<b>5811</b>	<b>5907</b>	<b>5978</b>

**(12<sup>th</sup> December 2017)**

\* The Castlebrae projection has been updated from those published in December 2017 to reflect the increased catchment capture rates which are expected as a result of a new school be constructed and the availability of placing requests to other schools being reduced. The initial capacity of the new school will also be 700 rather than 600.

## APPENDIX 2 – Wave 4 Comparative Capital Costs

Wave 4 Schools	Do Minimum AMW only	Refurbish (full/partial) + Extend (if required)	New Build
Currie	£6,847,394	£39,820,000	£36,760,000 - £42,750,000
Trinity	£2,202,532	£50,030,000	£43,090,000 - £45,940,000
Castlebrae	£2,991,008	No costs avail.	£26,435,000
WHEC	£6,412,263	£21,330,000	£25,290,000 - £32,920,000
Liberton	£1,520,941	£40,280,000	£34,520,000 - £35,390,000
Balerno	£3,740,000	£28,493,400	£40,510,000 - £43,600,000
Leith	£578,812	Not costed	Not costed

(Cost assumptions 2Q 2018/19)

### Appendix 3: Option Appraisal

An options appraisal of how well each option met the project objectives was carried out for a number of schools. With regard to Castlebrae, the option has already been selected and the project has commenced. With regard to WHEC, it was considered that further work (including community consultation) on the scope of the proposal was required, before the option could be scored.

Scores Summary			Curre High School					
Objectives	Weighting Factor (1-5)	Do minimum - AMW Only		New Build + Retain Existing sport block		New Build		
		Score (0-10)	Weighting Score	Score (0-10)	Weighting Score	Score (0-10)	Weighting Score	
A. Building Condition/Asset Management /Cost in use	5	0	0	8	40	9	45	
B. Sufficiency / Appropriate size	3	0	0	10	30	10	30	
C. Accessibility (needs)	3	0	0	9	27	10	30	
D. Education amenity / enhancement	5	0	0	8	40	9	45	
E. Sustainability	4	0	0	6	24	6	24	
F. Future flexibility	3	0	0	7	21	7	21	
G. Community access / integrated services	5	0	0	8	40	10	50	
H. Design	2	0	0	7	14	10	20	
I. Deliverability - time	2	0	0	6	12	10	20	
J. Avoidance of educational disruption	3	0	0	6	18	8	24	
<b>Totals</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>266</b>	<b>89</b>	<b>309</b>	

Scores Summary			Trinity Academy					
Objectives	Weighting Factor (1-5)	Do minimum - AMW Only		New Build + Retain listed build + Bangholm		New Build - With Bangholm		
		Score (0-10)	Weighting Score	Score (0-10)	Weighting Score	Score (0-10)	Weighting Score	
A. Building Condition/Asset Management /Cost in use	5	2	10	6	30	9	45	
B. Sufficiency / Appropriate size	3	2	6	10	30	10	30	
C. Accessibility (needs)	3	1	3	7	21	9	27	
D. Education amenity / enhancement	5	2	10	7	35	10	50	
E. Sustainability	4	4	16	6	24	6	24	
F. Future flexibility	3	0	0	5	15	7	21	
G. Community access / integrated services	5	1	5	7	35	10	50	
H. Design	2	1	2	8	16	10	20	
I. Deliverability - time	2	5	10	1	2	10	20	
J. Avoidance of educational disruption	3	1	3	5	15	9	27	
<b>Totals</b>	<b>35</b>	<b>19</b>	<b>65</b>	<b>62</b>	<b>223</b>	<b>90</b>	<b>314</b>	

## Scores Summary

		<b>Liberton High School</b>			
		Do minimum - AMW + Extension		New Build	
Objectives	Weighting Factor (1-5)	Score (0- 10)	Weightin g Score	Score (0- 10)	Weightin g Score
A. Building Condition/Asset Management /Cost in use	5	3	15	9	45
B. Sufficiency / Appropriate size	3	10	30	10	30
C. Accessibility (needs)	3	1	3	9	27
D. Education amenity / enhancement	5	4	20	10	50
E. Sustainability	4	4	16	6	24
F. Future flexibility	3	8	24	7	21
G. Community access / integrated services	5	9	45	10	50
H. Design	2	4	8	10	20
I. Deliverability - time	2	10	20	10	20
J. Avoidance of educational disruption	3	7	21	9	27
<b>Totals</b>	<b>35</b>	<b>60</b>	<b>202</b>	<b>90</b>	<b>314</b>

## Appendix 4: Capital Cost Exclusions

Exclusions	
1	Site acquisition and associated costs including SDLT, land, agents & legal fees.
2	Local Authority charges, costs of planning approval.
3	VAT if applicable.
4	Finance, SPV costs and project insurances.
5	Air rights, right to light (or any other third party compensation settlements), over-sailing licenses, sale or letting fees / costs and other developer costs.
6	Way leave costs or works associated with / arising from the requirement for way leaves.
7	Active IT and enhanced FF&E.
8	Costs associated with any works required to secure a Section 21 Agreement.
9	Local Authority charges, road closures, etc.
10	Removal / disposal of contaminated materials not specifically mentioned.
11	Utility connections to off-site decant space.
12	Abnormal ground conditions (i.e. grouting / lime stabilisation / piling) beyond noted allowances.
13	Working outside of normal working hours.
14	Sustainable construction strategies (wind turbines, grey water, boreholes, photovoltaic cells, ground cooling and the like).
15	Archaeological investigations and exploratory works.
16	Benefits arising from any potential Capital Allowances or Enhanced Capital Allowances.
17	Services or drainage diversions off site.
18	Utility reinforcement infrastructure works.
19	Utility and general infrastructure disconnections and diversion works.
20	Delay or costs as a result of site ecology, including but not limited to roosting bats, nesting birds and badgers.
21	Out of hours working imposed by any third party excluding planning.
22	Artwork.
23	End user incoming copper / fibre lines from Utility provider.
24	Cost of project collaboration tool.
25	Enhanced specification of building / façade for planning approvals.
26	Any construction works of spaces identified as 'future expansion'. Note specifically that capacity of building services has not been 'enhanced' to accommodate these areas
27	Inflation beyond the programmes noted in section 2.0. i.e. contractor appointment during 2Q 2019.
28	Refuse equipment (waste compactor).
29	Satellite and TV aerial installations.
30	Future proofing of structured cabling.
31	Room mock-ups and marketing suites; any other marketing costs (including brochures, etc.)
32	Move management costs

## Appendix 5: Capital Cost Financial Analysis

SCENARIO 1 – 5 Year Investment (NB. Further work to be undertaken on the profile, spend and delivery timescale of projects to ensure expenditure is aligned to funding availability).

### WAVE 4 Schools Capital Expenditure and Funding

	Financial Year Starting												
	Total	01/04/2018	01/04/2019	01/04/2020	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025	01/04/2026	01/04/2027	01/04/2028	01/04/2029
	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Inflated Capital Cost Estimates</b>													
Castlebrae	29,359,998	991,312.5	10,220,431.88	15,585,122.94	11,125,761.22	6,357,577.839	0	0	0	0	0	0	0
Currie	42,927,417	0	14,212,333.5	15,022,431.81	22,994,385.3	16,090,119.22	9,194,353.843	0	0	0	0	0	0
Trinity	50,973,389	0	16,876,181.25	17,838,123.58	27,304,268.73	19,105,922.31	10,917,669.89	0	0	0	0	0	0
WHEC	29,533,035	0	9,777,774.625	10,335,077.79	15,819,586.63	11,069,616.84	6,325,495.34	0	0	0	0	0	0
Liberton	40,311,601	0	13,346,295	14,107,033.82	21,593,204.04	15,109,654.94	8,634,088.538	0	0	0	0	0	0
Balerno	47,306,574	0	15,662,178.75	16,554,922.94	25,340,112.86	17,731,521.49	10,132,297.99	0	0	0	0	0	0
<b>Sub Total</b>	<b>240,412,014</b>	<b>991,312.50</b>	<b>8,009,516.81</b>	<b>22,970,882.56</b>	<b>124,177,318.78</b>	<b>79,742,592.59</b>	<b>4,520,390.56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Inflated Capital Receipts</b>													
Castlebrae	5,412,161	0	0	0	0	5,412,160.8	0	0	0	0	0	0	0
Currie	5,299,588	0	0	0	0	0	5,299,587.855	0	0	0	0	0	0
Trinity	5,189,180	0	0	0	0	0	5,189,179.775	0	0	0	0	0	0
WHEC	3,312,242	0	0	0	0	0	3,312,242.41	0	0	0	0	0	0
Liberton	5,299,588	0	0	0	0	0	5,299,587.855	0	0	0	0	0	0
Balerno	-	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>24,512,759</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,412,160.80</b>	<b>19,100,597.90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Developers Contributions</b>													
Castlebrae	7,842,155	£0	£183,482	£571,291	£3,844,206	£116,128	£0	£0	£1,412,452	£77,898	£1,567,585	£69,113	£0
Currie	-	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Trinity	2,561,746	£0	£0	£4,453	£56,021	£498,693	£306,966	£0	£0	£850,851	£11,737	£77,243	£755,783
WHEC	-	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Liberton	9,952,524	£0	£0	£0	£2,838,074	£2,275,479	£0	£0	£0	£3,730,837	£358,271	£749,863	£0
Balerno	-	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>Sub Total</b>	<b>20,356,426</b>	<b>-</b>	<b>183,481.62</b>	<b>575,744.45</b>	<b>6,738,300.87</b>	<b>2,890,299.72</b>	<b>306,965.95</b>	<b>-</b>	<b>1,412,452.44</b>	<b>4,659,585.50</b>	<b>1,937,593.18</b>	<b>896,219.24</b>	<b>755,782.75</b>
<b>Net Cost</b>													
Castlebrae	16,105,682	£991,313	£838,562	£15,013,832	£7,281,555	£-4,892,531	£0	£0	£-1,412,452	£-77,898	£-1,567,585	£-69,113	£0
Currie	37,627,829	£0	£1,421,234	£1,502,244	£22,994,385	£16,090,119	£-4,380,152	£0	£0	£0	£0	£0	£0
Trinity	43,222,462	£0	£1,687,618	£1,779,359	£27,248,248	£18,607,229	£-4,404,379	£0	£0	£-850,851	£-11,737	£-77,243	£-755,783
WHEC	26,220,793	£0	£977,775	£1,033,508	£15,819,587	£11,069,617	£-2,679,693	£0	£0	£0	£0	£0	£0
Liberton	25,059,489	£0	£1,334,630	£1,410,703	£18,755,130	£12,834,176	£-4,436,179	£0	£0	£-3,730,837	£-358,271	£-749,863	£0
Balerno	47,306,574	£0	£1,566,218	£1,655,492	£25,340,113	£17,731,521	£1,013,230	£0	£0	£0	£0	£0	£0
<b>Sub Total</b>	<b>195,542,829</b>	<b>991,312.50</b>	<b>7,826,035.19</b>	<b>22,395,138.11</b>	<b>117,439,017.91</b>	<b>71,440,132.07</b>	<b>-14,887,173.29</b>	<b>-</b>	<b>1,412,452.44</b>	<b>4,659,585.50</b>	<b>1,937,593.18</b>	<b>896,219.24</b>	<b>755,782.75</b>
<b>Available Funding</b>													
<b>Council Funding</b>													
Capital Investment Programme (Castlebrae)	573,000	573,000											
Capital Investment Programme (Wave 4)	25,000,000			12,500,000.00	12,500,000.00								
Budget Framework (still to be approved)	78,191,000		250,000.00	1,865,000.00	7,186,000.00	49,594,000.00	19,296,000.00						
<b>Total Funding</b>	<b>103,191,000.00</b>	<b>0</b>	<b>250,000.00</b>	<b>14,365,000.00</b>	<b>19,686,000.00</b>	<b>49,594,000.00</b>	<b>19,296,000.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shortfall/(Surplus)</b>	<b>92,351,829</b>	<b>991,312.50</b>	<b>7,576,035.19</b>	<b>8,030,138.11</b>	<b>97,753,017.91</b>	<b>21,846,132.07</b>	<b>-34,183,173.29</b>	<b>-</b>	<b>1,412,452.44</b>	<b>4,659,585.50</b>	<b>1,937,593.18</b>	<b>896,219.24</b>	<b>755,782.75</b>
<b>Cummulative Shortfall</b>		<b>991,313</b>	<b>8,567,348</b>	<b>16,597,486</b>	<b>114,350,504</b>	<b>136,196,636</b>	<b>102,013,462</b>	<b>102,013,462</b>	<b>100,601,010</b>	<b>95,941,425</b>	<b>94,003,831</b>	<b>93,107,612</b>	<b>92,351,829</b>

SCENARIO 2 – 10 Year Expenditure (NB. Further work to be undertaken on the profile, spend and delivery timescale of projects to ensure expenditure is aligned to funding availability). Funding in later years are indicative and would be subject to the budget setting processes of future Councils.

**WAVE 4 Schools  
Capital Expenditure and Funding**

	Financial Year Starting												
	Total	01/04/2018	01/04/2019	01/04/2020	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025	01/04/2026	01/04/2027	01/04/2028	01/04/2029
	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Inflated Capital Cost Estimates</b>													
Castlebrae	29,359,998	991312.5	1022043.188	15585122.94	11125761.22	635757.7839	0	0	0	0	0	0	0
Currie	42,927,417	0	1421233.5	1502243.81	22994385.3	16090119.22	919435.3843	0	0	0	0	0	0
Trinity	50,973,389	0	1687618.125	1783812.358	27304268.73	19105922.31	1091766.989	0	0	0	0	0	0
WHEC	36,000,703	0	0	0	0	0	1233471.591	1282810.455	19246945.98	13467881.46	769593.2264	0	0
Liberton	49,139,749	0	0	0	0	0	1683647.265	1750993.155	26271434.37	18383205.54	1050468.888	0	0
Balerno	57,666,606	0	0	0	0	0	1975798.108	2054830.033	30830121.86	21573107.08	1232748.976	0	0
<b>Sub Total</b>	<b>266,067,861</b>	<b>991,312.50</b>	<b>4,130,894.81</b>	<b>18,871,179.11</b>	<b>61,424,415.25</b>	<b>35,831,799.32</b>	<b>2,011,202.37</b>	<b>4,892,916.96</b>	<b>5,088,633.64</b>	<b>76,348,502.21</b>	<b>53,424,194.08</b>	<b>3,052,811.09</b>	<b>-</b>
<b>Inflated Capital Receipts</b>													
Castlebrae	5,412,161	0	0	0	0	5412160.8	0	0	0	0	0	0	0
Currie	5,299,588	0	0	0	0	0	5299587.855	0	0	0	0	0	0
Trinity	5,189,180	0	0	0	0	0	5189179.775	0	0	0	0	0	0
WHEC	3,656,983	0	0	0	0	0	0	0	0	0	3656983.26	0	0
Liberton	5,851,173	0	0	0	0	0	0	0	0	0	5851173.216	0	0
Balerno	-	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>25,409,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,412,160.80</b>	<b>10,488,767.63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,508,156.48</b>	<b>-</b>
<b>Developers Contributions</b>													
Castlebrae	7,842,155	£0	£183,482	£571,291	£3,844,206	£116,128	£0	£0	£1,412,452	£77,898	£1,567,585	£69,113	£0
Currie	-	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Trinity	2,561,746	£0	£0	£4,453	£56,021	£498,693	£306,966	£0	£850,851	£11,737	£77,243	£755,783	£0
WHEC	-	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Liberton	9,952,524	£0	£0	£0	£0	£0	£0	£5,113,553	£0	£3,730,837	£358,271	£749,863	£0
Balerno	-	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>Sub Total</b>	<b>20,356,426</b>	<b>-</b>	<b>183,481.62</b>	<b>575,744.45</b>	<b>3,900,226.85</b>	<b>614,820.99</b>	<b>306,965.95</b>	<b>5,113,552.76</b>	<b>1,412,452.44</b>	<b>4,659,585.50</b>	<b>1,937,593.18</b>	<b>896,219.24</b>	<b>755,782.75</b>
<b>Net Cost</b>													
Castlebrae	16,105,682	£991,313	£838,562	£15,013,832	£7,281,555	-£4,892,531	£0	£0	-£1,412,452	-£77,898	-£1,567,585	-£69,113	£0
Currie	37,627,829	£0	£1,421,234	£1,502,244	£22,994,385	£16,090,119	-£4,380,152	£0	£0	£0	£0	£0	£0
Trinity	43,222,462	£0	£1,687,618	£1,779,359	£27,248,248	£18,607,229	-£4,404,379	£0	£0	-£850,851	-£11,737	-£77,243	-£755,783
WHEC	32,343,719	£0	£0	£0	£0	£0	£0	£1,233,472	£1,282,810	£19,246,946	£13,467,881	-£2,887,390	£0
Liberton	33,336,052	£0	£0	£0	£0	£0	£0	-£3,429,905	£1,750,993	£22,540,597	£18,024,935	-£5,550,568	£0
Balerno	57,666,606	£0	£0	£0	£0	£0	£0	£1,975,798	£2,054,830	£30,830,122	£21,573,107	£1,232,749	£0
<b>Sub Total</b>	<b>220,302,351</b>	<b>991,312.50</b>	<b>3,947,413.19</b>	<b>18,295,434.66</b>	<b>57,524,188.40</b>	<b>29,804,817.53</b>	<b>- 8,784,531.21</b>	<b>- 220,635.79</b>	<b>3,676,181.20</b>	<b>71,688,916.71</b>	<b>51,486,600.90</b>	<b>- 7,351,564.63</b>	<b>- 755,782.75</b>
<b>Available Funding</b>													
<b>Council Funding</b>													
Capital Investment Programme (Castlebrae)	573,000	573000											
Capital Investment Programme (Wave 4)	25,000,000			12,500,000.00	12,500,000.00								
Budget Framework (still to be approved)	78,191,000		250,000.00	1,865,000.00	7,186,000.00	49,594,000.00	19,296,000.00						
<b>Total Funding</b>	<b>103,191,000.00</b>	<b>0</b>	<b>250,000.00</b>	<b>14,365,000.00</b>	<b>19,686,000.00</b>	<b>49,594,000.00</b>	<b>19,296,000.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shortfall/(Surplus)</b>	<b>117,111,351</b>	<b>991,312.50</b>	<b>3,697,413.19</b>	<b>3,930,434.66</b>	<b>37,838,188.40</b>	<b>- 19,789,182.47</b>	<b>- 28,080,531.21</b>	<b>- 220,635.79</b>	<b>3,676,181.20</b>	<b>71,688,916.71</b>	<b>51,486,600.90</b>	<b>- 7,351,564.63</b>	<b>- 755,782.75</b>
<b>Cummulative Shortfall</b>		<b>991,313</b>	<b>4,688,726</b>	<b>8,619,160</b>	<b>46,457,349</b>	<b>26,668,166</b>	<b>- 1,412,365</b>	<b>- 1,633,001</b>	<b>2,043,180</b>	<b>73,732,097</b>	<b>125,218,698</b>	<b>117,867,133</b>	<b>117,111,351</b>



# The City of Edinburgh Council

10.00am, Thursday 25 October 2018

## Revenue Monitoring 2018/19 – progress update – referral from the Finance and Resources Committee

Item number	8.7
Report number	
Wards	All
Council Commitments	

### Executive summary

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On 11 October 2018 the Finance and Resources Committee considered a report which provided an update on progress in addressing the projected in-year overspend and set out a timeline for identifying measures, the full-year effect of which would provide greater stability across the framework going forward. The report has been referred to the City of Edinburgh Council for approval.

# Terms of Referral

## Revenue Monitoring 2018/19 – progress update – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 At its meeting on 16 August 2018, members of the Finance and Resources Committee considered the first in-year revenue monitoring report for 2018/19. The report set out a range of significant pressures, particularly in demand-led areas, together totalling £15.2m. In view of these pressures, a number of one-off mitigations, or other savings already assumed within the budget framework going forward, had been identified. Even after taking account of these savings, however, a residual overspend of £7.72m was forecast without identification of additional mitigating actions, with significant further recurring savings required to return the budget framework to a sustainable footing going forward.
- 1.2 In view of this projected position, all Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership were required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end. The report informed members of subsequent progress in addressing the projected in-year overspend and set out a timeline for identifying measures, the full-year effect of which would provide greater stability across the framework going forward. A more detailed half-year update would be provided to the Committee's following meeting on 4 December 2018.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To refer the report to the City of Edinburgh Council meeting of the 25 October 2018 for consideration and approval.
  - 1.3.2 To agree that further information around the proposed £1m of how uncommitted monies would be spent be prepared to inform the Council's consideration on 25 October 2018.

### For Decision/Action

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- 2.1 The City of Edinburgh Council is asked to:
  - 2.1.1 note the extent of progress made in moving towards a balanced overall position for the year.

- 2.1.2 subject to the additional information provided (para 1.3.2), approve the use of up to £1m of uncommitted monies previously earmarked to support the Transformation Programme to facilitate the engagement of dedicated internal project management resource to develop individual proposals comprising the broader Change Strategy.
- 2.1.3 note that a further update, additionally detailing measures to address current-year pressures on a sustainable basis, will be presented as part of the half-year monitoring report to the Finance and Resources Committee's next meeting on 4 December 2018.

## Background reading / external references

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Finance and Resources Committee, 11 October 2018

### Laurence Rockey

Head of Strategy and Insight

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## Links

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### Appendices

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday 11 October 2018

## Revenue Monitoring 2018/19 – progress update

<b>Item number</b>	7.1
<b>Report number</b>	
<b>Executive/routine</b>	Executive
<b>Wards</b>	n/a
<b>Council Commitments</b>	n/a

### Executive Summary

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At its meeting on 16 August 2018, members of the Finance and Resources Committee considered the first in-year revenue monitoring report for 2018/19. The report set out a range of significant pressures, particularly in demand-led areas, together totalling £15.2m. In view of these pressures, a number of one-off mitigations, or other savings already assumed within the budget framework going forward, had been identified. Even after taking account of these savings, however, a residual overspend of £7.72m was forecast without identification of additional mitigating actions, with significant further recurring savings required to return the budget framework to a sustainable footing going forward.

In view of this projected position, all Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership were required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end. This report appraises members of subsequent progress in addressing the projected in-year overspend and sets out a timeline for identifying measures, the full-year effect of which will provide greater stability across the framework going forward.

## Revenue Monitoring 2018/19 – progress update

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the extent of progress made in moving towards a balanced overall position for the year;
  - 1.1.2 approve, subject to ratification by Council, the use of up to £1m of uncommitted monies previously earmarked to support the Transformation Programme to facilitate the engagement of dedicated internal project management resource to develop individual proposals comprising the broader Change Strategy; and
  - 1.1.3 note that a further update, additionally detailing measures to address current-year pressures on a sustainable basis, will be presented as part of the half-year monitoring report to the Committee's next meeting on 4 December.

### 2. Background

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- 2.1 At its meeting on 16 August 2018, members of the Finance and Resources Committee considered the first in-year revenue monitoring report for 2018/19. The report set out a range of significant pressures, particularly in demand-led areas, together totalling £15.2m. In view of these pressures, a number of one-off mitigations, or other savings already assumed within the budget framework going forward, had been identified. Even after taking account of these savings, however, a residual overspend of £7.72m was forecast without identification of additional mitigating actions, with significant further recurring savings required to return the budget framework to a sustainable footing going forward.
- 2.2 In view of this projected position, all Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership were required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end. This report apprises members of subsequent progress in addressing the projected in-year overspend and sets out a timeline for identifying measures, the full-year effect of which will provide greater stability across the framework going forward. A more detailed half-year update will be provided to the Committee's following meeting on 4 December.

### 3. Main report

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- 3.1 Since the Committee's meeting on 16 August 2018, Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership have been considering further means by which to mitigate residual pressures such that, as a minimum, a balanced overall position is achieved in 2018/19. Further updates from each of the main service areas are set out in the following paragraphs.

#### **Service-specific budgets - Communities and Families**

- 3.2 As of period three, £9.8m of net budget pressures were being projected as a result of increasing costs in several demand-led areas of service. The main service areas affected included temporary accommodation, home-to-school transport, rising school rolls, community access to schools and the increased use of out-of-Council area placements linked to accommodating a number of Unaccompanied Asylum-Seeking Children (UASC) within the city.
- 3.3 The report to the Committee's meeting on 16 August intimated the Executive Director of Communities and Families' commitment to making all efforts to identify mitigations to reduce the emerging pressures but that, in light of their extent and the state of development of these actions, there remained the potential for a significant level of overspend, estimated at £5m.
- 3.4 The Executive Director remains fully committed to an agreed service-wide strategy comprising consideration of savings opportunities linked to the following:
- (i) additional vacancy control measures;
  - (ii) identification of income generation opportunities;
  - (iii) examination of the scope to stop or reduce planned levels of expenditure, including through more effective demand management; and
  - (iv) identification of any spend-to-save opportunities.
- 3.5 Analysis of updated projections and mitigating actions indicates a degree of improvement, with net pressures of £6.1m now forecast, primarily relating to community access to secondary schools, homelessness, pupil roll-related demography and home-to-school transport (the in-year approved saving for which remains red-assessed at this time). While all material areas of spend will continue to be actively monitored and potential mitigating actions identified, there is, however, insufficient confidence at this stage to make any change to the earlier projection of a £5.0m overspend for the year.

#### **Health and Social Care**

- 3.6 As of period three, an overall service overspend of £6.1m was projected. This forecast reflected anticipated delivery of £2.950m of the £9.050m savings plans underpinning the approved budget but reflected slippage of £6.1m across a number of demand management- and workforce-related initiatives.

- 3.7 Based on initial analysis of period five data, no overall change to the service-wide projection is forecast. The projected employee position is some £1m better than previously reported, reflecting the impact of recruitment control and an approved drawdown from reserves against temporary staffing costs. This favourable movement is, however, offset by an equivalent increase in forecast purchasing expenditure. There has similarly been no net overall movement in the savings delivery assessment, with £6.1m (67%) of these still rated as red. It should be noted that the overall projection is based on continuation of current service volumes, other than where growth is specifically funded by NHS Lothian or other earmarked funding. Furthermore, there continues to be a shortfall of £0.5m in the funding contribution from the IJB to offset the costs of additional community capacity.
- 3.8 An agreement on funding to support additional service activity, receipt of which is predicated on the achievement of improvements in delayed discharge levels, is in the process of being finalised with NHS Lothian. The Health and Social Care Partnership will need to continue to monitor the position to ensure that the desired improvements targeted by this funding are achieved. A separate report on this matter by the Chief Officer of the Partnership is included elsewhere on the agenda.
- 3.9 Short-term actions led by the Head of Operations and EIJB Chief Finance Officer include:
- (i) further strengthening of controls over recruitment and agency staffing;
  - (ii) implementation of a new agency staffing contract;
  - (iii) reviewing, with the potential to stop, discretionary expenditure;
  - (iv) reviewing savings programme delivery, considering requirements for support through a supportive but robust challenge process;
  - (v) working with Finance colleagues to develop greater accountability within locality teams, including realignment of purchasing budgets, regular engagement, improved management information and training; and
  - (vi) initiating a review of reserves and uncommitted funds.
- 3.10 Given the extent of these underlying pressures, however, there remains an urgent need to identify and implement specific measures to substantially reduce the projected overspend in 2018/19 and bring expenditure back within approved levels on a sustainable basis.

### **Place**

- 3.11 The Place Senior Management Team (SMT), along with the Divisional Management Teams, is continuing work to address the financial challenge faced by the Directorate in 2018/19. A cohesive financial strategy is being rolled out to deal with identified pressures of £11.5m, a slight increase from the position intimated in the period three report, comprising £4.8m of legacy and £6.7m in-year pressures.

- 3.12 To enable both a balancing of the overall Place budget and a reallocation of existing budgets across the Directorate (allowing for a more transparent and sustainable budget to be set which respective services can then deliver and be more accountable for), mitigations to at least the same value are required. Mitigations with varying levels of delivery risk have been identified along with stretch in-year savings targets. Development of these mitigations has specifically focused on those actions not affecting existing Council policies and/or impacting on frontline service provision.
- 3.13 Targets and actions to a value of £10.0m have been agreed in consultation with Heads of Service, leaving a residual gap of £1.5m, a £1.5m improvement on the £3m shortfall intimated in the period three report. The Place SMT will therefore seek to develop detailed implementation plans to secure these £10.0m of management actions, whilst at the same time examining all opportunities to address the remaining shortfall.
- 3.14 In addition to regular reporting of financial performance to Place SMT, a robust half-year review will be undertaken and the position reassessed. At this point, decisions will be made, as required, on appropriate management action to address the residual overspend. This may include acceleration of future years' savings proposals in addition to the current suite of identified in-year measures.
- 3.15 While this does not allow the service to project, with certainty, a further reduction in the level of overspend at this time, subject to development and implementation of these further measures, the overall position may nonetheless show improvement after the mid-year review has been undertaken.

### **Resources**

- 3.16 Based on analysis of period two data and an assessment of the in-year deliverability of the savings proposals approved as part of the 2018/19 revenue budget, the period three report intimated that overall expenditure was anticipated to exceed the Directorate's budget by £1.075m.
- 3.17 The Executive Director of Resources committed to identifying sustainable measures to maintain overall expenditure within approved levels. A range of further savings measures has already been identified, including savings from the HR Services Organisational Review, holding of vacant posts and use of contingency budget to reduce the forecast from that indicated above by £0.5m. At this stage, there is additionally now evidence to forecast a balanced outturn for the Resources Directorate on the basis of:
- (i) a recruitment pause and enhanced workforce controls that were applied from 17 September. The maximum saving from these actions is estimated at £0.445m, to the end of the current financial year. The only exceptions to this recruitment pause are essential posts in the Contact Centre and Transactions Team, including Welfare and Benefits administration and Cleaning, Janitorial, Catering and Facilities Management delivery posts; and



- (ii) a review of discretionary expenditure, with spending to be ceased or delayed, where there is currently no legal commitment.

3.18 While there remain a number of risks to the achievement of a balanced position, the Executive Director of Resources and the Directorate Heads of Service will continue to develop further proposals to deliver all savings and mitigate budget pressures on a sustainable basis.

#### **Services reporting to the Chief Executive**

3.19 While work is continuing to identify means to deliver the full saving associated with the Strategy and Insight Division's Organisational Review, at this stage a balanced position continues to be forecast.

#### **Non service-specific budgets**

3.20 The period three report to the Committee's meeting on 16 August identified total corporate savings relative to the approved budget of £7.455m, comprising:

- (i) savings in loans charge expenditure of £3m;
- (ii) additional income, based on an updated assessment of the size and profile of the Council Tax base, of £1m;
- (iii) application of the 2017/18 underspend of £2.455m in respect of the Council Tax Reduction Scheme against welfare reform-related pressures in the current year; and
- (iv) a £1m saving, based on an updated analysis of applicable rates and in-scope contracts, in the required level of inflationary provision for the year relative to the approved budget.

#### **2018/19 pay award/inflationary provision**

3.21 Following approval at the August COSLA Leaders' Meeting, a revised and final employee pay award offer for 2018/19, comprising a 3% across-the-board increase for all staff earning up to £80,000 and a £1,600 flat-rate above this level, has been made. This revised offer follows the decision by the Scottish Government to make available additional funding sufficient to increase the pay offer for teachers earning between £36,500 and £80,000 from 2% to 3%. Given COSLA's policy of maintaining pay parity across all bargaining groups, this improved offer has now been extended to non-teaching staff. Consideration of this offer by the representative trade unions and their memberships is on-going.

3.22 Based on this revised and final offer and taking account of overall sums provided within the budget framework in respect of inflation, the anticipated level of settlement will result in a recurring saving of £0.6m relative to earlier assumptions.

#### **Carbon Reduction Commitment (CRC)**

3.23 The UK-wide Carbon Reduction Commitment (CRC) energy efficiency scheme comes to an end in March 2019. At this stage, full details of its replacement, likely to be in the form of changes to existing Climate Change Levy rates, remain to be

confirmed. While any saving relative to budget may therefore be one-off in nature, it is anticipated that, based on past years' payments and available allowances purchased, a saving of £0.250m will be achieved in 2018/19.

### **Confirmation of audited outturn for 2017/18**

- 3.24 The Annual Audit Report was considered by the Governance, Risk and Best Value Committee on 25 September 2018, with approval of the audited accounts provided by this Committee on 27 September. No changes to the unaudited outturn resulted from the audit process. Taking account of Council's previous decision to allocate a total of £0.580m for additional road repairs and engaging on the City Vision, £1.836m of the overall underspend of £2.416m remains unallocated. While not detracting from the more fundamental need to identify recurring savings going forward, it is proposed that, subject to Council approval, this sum now be allocated against the current year's projected overspend.
- 3.25 Taken together, the above corporate factors result in an overall improvement of £2.686m relative to that forecast at period three.

### **Overall position**

- 3.26 Based on the updates contained in the preceding sections, the revised overall position is as shown below:

	<b>Period three forecast</b>	<b>Changes since period three</b>	<b>Revised year-end forecast</b>
Communities and Families	£5.0m	-	£5.0m
Health and Social Care	£6.1m	-	£6.1m
Place	£3.0m	(£1.5m)	£1.5m
Resources	£1.1m	(£1.1m)	£0.0m
Less savings in corporate budgets	(£7.5m)	(£2.7m)	(£10.2m)
<b>Updated projected outturn without additional mitigations</b>	<b>£7.7m</b>	<b>(£5.3m)</b>	<b>£2.4m</b>

- 3.27 While the overall level of improvement is to be welcomed, it is clear that further actions are required. To this end, relevant Executive Directors have been instructed by the Chief Executive to identify additional savings and mitigations, such that, subject to members' agreement of the measures concerned, a balanced overall position may be reported to the Committee's next meeting on 4 December.
- 3.28 More fundamentally, however, given the extent of reliance on corporate and/or one-off savings in the current year, there is a need, particularly in Communities and Families and Health and Social Care which together comprise almost 70% of the

Council's net service expenditure, for additional sustainable measures to be developed, such that each may operate within its approved budgetary allocation from the start of the next financial year. To this end, Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership have similarly been instructed to identify potential measures to contribute positively to the underlying stability of the budget framework and these will be reported as part of the half-year update at the Committee's meeting on 4 December.

### **Change Strategy**

- 3.29 At its previous meeting on 27 September, members of the Committee approved the release for public engagement of the Council's draft Change Strategy. Feedback to *Planning for Change and Delivering Services 2019-2023* will inform the development of detailed proposals, linked to the five underlying priorities of the strategy, that will then form the basis of further elected member consideration in the new year.
- 3.30 Development of proposals on the necessary scale, in terms both of financial savings and associated service redesign, will require dedicated internal project resource to ensure they are suitably robust for consideration (and subsequent delivery) by Council in February 2019. Corresponding project management resource to support delivery of the Council's Transformation Programme was approved as part of setting the 2016/20 revenue budget. Of the £3.9m originally earmarked, however, only £2.706m has been drawn down to date.
- 3.31 In acknowledging residual liabilities linked to this earlier programme, it is recommended that up to £1m of this remaining balance be made available to support provision of dedicated internal Change Strategy-related project management resource. Subject to Committee's agreement, this recommendation will be referred to Council on 25 October 2018 for ratification of use of this earmarked fund.

## **4. Measures of success**

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- 4.1 Achieving a balanced overall budget outturn position for 2018/19 and successful delivery of approved savings and key service performance indicators.

## **5. Financial impact**

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- 5.1 The report's contents point to a potential in-year overspend, highlighting the importance of prompt action to bring expenditure back in line with approved levels.
- 5.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate.
- 6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Executive Directors and Heads of Service to maintain expenditure within approved budgets in accordance with the Financial Regulations. Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals to identify at an early stage where corrective action is required.

## **7. Equalities impact**

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- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

## **8. Sustainability impact**

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- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

## **9. Consultation and engagement**

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- 9.1 In view of the overall projected position set out within this report, the Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals.
- 9.2 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of regular consultation and engagement.

## 10. Background reading/external references

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- 10.1 [Capital Coalition Budget Motion](#), City of Edinburgh Council, 22 February 2018
- 10.2 [Revenue Monitoring 2018/19 – month three position](#), Finance and Resources Committee, 16 August 2018

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## 11. Appendices

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None.