

Notice of meeting and agenda

Finance and Resources Committee

10.00am, Thursday 24 September 2015

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

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

Contact

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1. Order of business

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

2. Declaration of interests

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

3. Deputations

- 3.1 Deputation Request from Bridgend Inspiring Growth in regards to Item 7.1 – Bridgend Farmhouse and Steadings: Disposal Update – e-mail request (circulated)

4. Minutes

- 4.1 Minutes of the Meeting of 27 August 2015 (circulated)

5. Business Bulletin

- 5.1 Finance and Resources Committee Business Bulletin – none.

6. Forward Planning

- 6.1 Finance and Resources Committee Key Decisions Forward Plan (circulated)
- 6.2 Finance and Resources Committee Rolling Actions Log (circulated)

7. Executive decisions

- 7.1 Bridgend Farmhouse and Steadings: Update – report by the Acting Director of Services for Communities (circulated)
- 7.2 Transformation Programme: Property and Asset Management Strategy - report by the Deputy Chief Executive (circulated)
- 7.3 2016/20 Revenue and Capital Budget Framework - report by the Deputy Chief Executive (circulated)
- 7.4 Managing Workforce Change – report by the Deputy Chief Executive (circulated)
- 7.5 Property Conservation – Programme Momentum Progress Report - report by Deputy Chief Executive (circulated)

- 7.6 Consultants Costs 2014/15 – report by the Deputy Chief Executive (circulated)
- 7.7 Commercial Excellence Programme – Update and Annual Review of the Council's Commercial and Procurement Strategy - report by the Deputy Chief Executive (circulated)
- 7.8 Common Good Annual Performance 2014/15 – report by the Deputy Chief Executive (circulated)
- 7.9 City of Edinburgh Council - Report to those Charged with Governance on the 2014/15 Audit – report by the Deputy Chief Executive (to follow)
- 7.10 The City of Edinburgh Council Charitable Trusts – Report to those Charged with Governance on the 2014/15 Audit – report by the Deputy Chief Executive (circulated)
- 7.11 Provision of External Offsite Revenues and Benefits Processing – Award of Contract – report by the Deputy Chief Executive (circulated)
- 7.12 Contracts Awarded under Delegated Authority (Waiver Reports) and Procurement Activity - report by the Deputy Chief Executive (circulated)
- 7.13 Zero Contract Hours – External Contractors - report by the Deputy Chief Executive (circulated)
- 7.14 Review of Events in Relation to Ownership of Parliament House in 2005/6 – referral report from the Governance, Risk and Best Value Committee (circulated)
- 7.15 Health and Social Care Integration: Update – report by the Chief Social Work Officer (circulated)
- 7.16 Health and Social Care 2015/16 Revenue Budget – Action Plan Update – report by the Chief Social Work Officer (circulated)
- 7.17 Review of Tenant Participation Services Procurement Options – referral report from the Health, Social Care and Housing Committee (circulated)
- 7.18 Mental Health and Wellbeing Consultation Feedback and Proposed Commissioning Plan 2016-2017 – referral report from the Health, Social Care and Housing Committee (circulated)
- 7.19 Community Transport – Development of a Public Social Partnership – report by the Acting Director of Services for Communities (circulated)

- 7.20 Construction Professional Services Framework Agreement – Award of Contract - report by the Acting Director of Services for Communities (circulated)
- 7.21 Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Collections - report by the Acting Director of Services for Communities (circulated)
- 7.22 Supply and Delivery of Kerbside Recycling Refuse Collection Vehicles – report by the Acting Director of Services for Communities (circulated)
- 7.23 Liberton High School Extension – Award of Contract – report by the Executive Director of Families and Communities (circulated)

8. Routine decisions

- 8.1 None

9. Motions

- 9.1 If any

Carol Campbell

Head of Legal, Risk and Compliance

Committee Members

Councillors Rankin (Convener), Bill Cook (Vice-Convener), Corbett, Dixon, Edie, Godzik, Griffiths, Bill Henderson, Ricky Henderson, Jackson, McVey, Walker, Whyte, Burns, (ex officio) and Howat (ex officio).

Information about the Finance and Resources Committee

The Finance and Resources Committee consists of 15 Councillors and is appointed by the City of Edinburgh Council. The Finance and Resources Committee usually meets every four weeks.

The Finance and Resources Committee usually meets in the Dean of Guild Court Room in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Veronica MacMillan or Laura Millar, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4283 / 0131 529 4319 or e-mail veronica.macmillan@edinburgh.gov.uk / laura.millar2@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/meetings

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

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From: Bridge End
Sent: 09 September 2015 01:08
To: Veronica Macmillan
Subject: Deputation to Finance and Resources Committee (September24th)

Item 3.1

Hi Veronica,

This is Will here from Bridgend Inspiring Growth re the Bridgend Farmhouse item on the forthcoming Finance and Resources committee.

We spoke a few weeks back about requesting a deputation at this committee. Could we officially request one please?

I wanted to check how many people were allowed on the deputation? We have discussed this now as a board and were hoping to have two giving a presentation and then four in total to answer questions as we thought you could have up to four people. Is that correct or not?

Names of people presenting will be Will Golding and Anna Danby.

If you can confirm to me the total number than I can confirm other names at that point.

Also, if all okay, can we still send an updated short report to send round the committee as long as it's before 5pm on the day before?

Kind regards
Will Golding

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Bridgend Inspiring Growth
Farmhouse Renovation Group

Item 4.1 - Minutes

Finance and Resources Committee

10.00am, Thursday, 4 June 2015

Present

Councillors Rankin (Convener), Bill Cook (Vice-Convener), Corbett, Dixon, Edie, Gardner (substituting for Councillor Walker), Godzik, Griffiths, Ricky Henderson, Howat, Jackson, McVey and Rose (substituting for Councillor Whyte).

1(a) Deputation: Mappin Consulting on behalf of Holyrood Park Distillery - Proposed 25 year Lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh

The Committee agreed to hear a deputation from Gary Mappin, Rodd Carpenter and David Robertson of the Holyrood Park Distillery.

The main points raised by the deputation were:

- The proposal to create a malt whisky distillery would support the local economy by promoting whisky tourism in Edinburgh.
- To alleviate any financial risk to the Council, the Holyrood Park Distillery would pay rent for the Engine Shed from September whilst applying for planning permission.
- The Deputation intended to hold a weekly market in the courtyard which would support local businesses.
- The Distillery would provide apprenticeships, training and employment opportunities in the local area.
- The deputation carried out two surveys on visitors to Edinburgh and found that over forty per cent of respondents said they would be interested in visiting a distillery in the city.
- There has been an upsurge in small, city centre whisky distilleries such as those in London and New York. Edinburgh, as the capital of Scotland would be keeping up with this trend.

The Convener thanked the Deputation for their presentations and invited them to remain for the Committee's consideration of the report by the Acting Director of Services for Communities.

1(b) Deputation: Rivers Centre Public Social Partnership and Carr Gomm - Proposed 25 year Lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh

The Committee agreed to hear a deputation from Claire Fyvie, Andrew Thomson, Debra Ridell and Eleanor Cunningham of Rivers Centre Public Social Partnership, Carr Gomm, Breadshare and the Edinburgh Larder.

The main points raised by the deputation were:

- The current service provided for victims of trauma was a lottery. On average, it would take a patient seven years from the date of trauma to be seen by staff at the River Centre. The deputation aimed to join-up services to allow faster access to the support and services offered by the Rivers Centre.
- There were 25 local community partners including Council provided services involved in submitting the bid.
- Early intervention for people that had experienced trauma was key. The partnership would like to embed trauma services in the community and work in a radically different way and would require a suitable property to do this.
- Twenty seven new jobs – nineteen full time equivalent jobs would be created across the Health and Social Care Sector. One hundred and twenty training opportunities would also be created.
- The deputation's proposal fitted with the Health and Social Care Integration model.
- No planning permission would be required as there were no changes to the building necessary.

The Convener thanked the Deputation for their presentations and invited them to remain for the Committee's consideration of the report by the Acting Director of Services for Communities.

2. Proposed 25 year Lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh

The Committee considered a report which sought approval to grant a new 25 year lease of the Engine Shed at an annual rent of £65,000.

Motion

- 1) To approve the grant of a 25 year lease to Newmake Limited, on the terms outlined in the report, and on the other terms and conditions to be agreed by the Acting Director of Services for Communities.
- 2) To request that officers from Corporate Property work alongside the Rivers Centre Public Social Partnership/Carr Gomm to identify alternative accommodation and to report the outcome back to Committee.

- Moved by Councillor Rankin, seconded by Councillor Cook.

Amendment 1

- 1) To recognise the significant community and social benefits associated with the Carr Gomm bid in 2.6 and acknowledge greater continuity of use for a well-loved building in the neighbourhood.
 - 2) To agree to grant the lease to Carr Gomm and partner bodies on the terms outlined in the report and to delegate to the Director of Services for Communities negotiation of further terms and conditions which enhance the Engine Shed as a community asset and provide good value to the council as owner.
- Moved by Councillor Corbett, seconded by Councillor Edie.

Amendment 2

To agree, in light of changes or potential changes in the circumstances of various bidders, to re-advertise the Engine Shed for rent at the earliest opportunity.

- Moved by Councillor Rose, seconded by Councillor Jackson.

Voting

- For the motion - 8
- For amendment 1 - 2
- For amendment 2 - 2

Decision

To approve the motion by Councillor Rankin.

Declaration of Interest

Councillor Ricky Henderson declared a financial interest as a non-Executive Director of NHS Lothian.

(Reference – report by the Acting Director of Services for Communities, submitted.)

3. Deputation: Unison and Unite - CEC Transformation Programme: Progress Update

The Committee agreed to hear a deputation from Gerry Stovin of Unison and Peter Lawson of Unite.

The main points raised by the deputation were:

- There was concern about the plans to accelerate the Transformation Programme over a three year period instead of a five year period.
- Staff felt uncertain due to extensive consultation but could see no real change.
- Concerns were also raised that the nine hundred and fifty reduction in staff that was reported did not include potential further staff cuts that would be created by changes within Asset Management.
- There was a fear that the Asset Management Strategy report which would be brought to the Finance and Resources Committee in September 2015 would recommend moving towards outsourcing and privatisation.

- Council paid up to £75 million from the revenue budget in interest on loans they had taken out, with a proportion of this going to the Treasury. This money would be better spent on local services.
- Options for restructuring debt within the local authority should be considered, which included zero interest on loans.

The Convener thanked the Deputation for their presentation and invited them to remain for the Committee's consideration of the report by the Chief Operating Officer and Deputy Chief Executive.

4. CEC Transformation Programme: Progress Update

Committee considered a report which provided a consolidated update of the Council Transformation Programme. Contained within the report were key challenges and identified mitigations, management information and the implementation plan.

Decision

- 1) To welcome the accelerated programme plan and savings profile for the core Transformation plan, as set out in Appendix 1 of the report.
- 2) To note that stop/reduce and service prioritisation proposals would be integrated within the core programme in order to create one cohesive cost reduction and Transformation Programme, which would be designed to align with the Council's strategic planning framework and simplify the execution of the plan.
- 3) To note the alignment of the Health and Social Care Integration work with the Transformation Programme to ensure savings in both support and front line service provision were maximised and operational efficiencies were achieved.
- 4) To note the revised governance arrangements as set out from paragraph 3.18 of the report and approve that future bi-monthly reporting would be through the Finance and Resources Committee.
- 5) To note that the Asset Management Strategy business case was finalised and this would be presented to the Finance and Resources Committee on 24 September 2015.
- 6) To note the progress across the programme as set out in the workstream updates and the Activity Analysis Report attached as Appendix 2 of the report.
- 7) To refer the report to the Governance, Risk and Best Value Committee for consideration.

(References – Act of Council (No 3), 25 June 2015; report by the Deputy Chief Executive, submitted.)

5. Minutes

Decision

To approve the minute of the Finance and Resources Committee of 4 June 2015 as a correct record.

6. Business Bulletin

The Finance and Resources Committee Business Bulletin for 27 August 2015 was presented.

Decision

To note the Business Bulletin.

(Reference - Finance and Resources Committee Business Bulletin, 27 August 2015, submitted.)

7. Key Decisions Forward Plan

The Finance and Resources Committee Key Decisions Forward Plan from 27 August 2015 to 24 September 2015 was presented.

Decision

To note the Key Decisions Forward Plan from 27 August 2015 to 24 September 2015.

(Reference – Finance and Resources Committee Key Decisions Forward Plan, 27 August 2015 to 24 September 2015, submitted.)

8. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log for 29 August 2013 to 4 June 2015 was submitted.

Decision

To note the Rolling Actions Log.

(Reference – Rolling Actions Log, 29 August 2013 to 4 June 2015, submitted.)

9. Health and Social Care Integration - Update

Committee considered an update report on the integration of Council Social Care functions with NHS Lothian health functions.

Decision

- 1) To note the Edinburgh Integration Joint Board (EIJB) was established in law and met for the first time on 17 July 2015.
- 2) To note the likely changes to Health, Social Care and Housing Committee remit.
- 3) To note the Edinburgh Integration Joint Board Draft Strategic Plan would be consulted upon between August 2015 and October 2015 and that the Council was a key consultee.
- 4) To note the linkages to the Council's Transformation Programme.

Declarations of Interest

Councillors Edie and Ricky Henderson declared financial interests as Chair of the Care Inspectorate and as a non-Executive Director of NHS Lothian, respectively.

(References – Finance and Resources, 13 May 2015 (item 9); report by the Chief Social Work Officer, submitted.)

10. Health and Social Care 2015/16 Revenue Budget – Action Plan Update

Details were provided on the projected month three revenue monitoring position for Health and Social Care. Corporate savings of £5 million had been identified with instruction from the Chief Executive to find a further £4.8 million, which would reduce the overspend to £1.4 million.

Decision

- 1) To note the 2015/16 budget position for Health and Social Care as set out in the report.
- 2) To note the Health and Social Care Budget Action Plan, detailed at Appendix 1 of the report describing actions taken and in hand.
- 3) To note that the Budget Action Plan sat within a wider strategic transformation programme in Health and Social Care intended to underpin longer term financial sustainability.
- 4) To note the update from the Chief Executive on corporate support to Health and Social Care.
- 5) To agree to refer the report to the Health, Social Care and Housing Committee for information.

Declarations of Interest

Councillor Edie declared a financial interest as Chair of the Care Inspectorate.

(References – Finance and Resources Committee, 4 June 2015 (item 2); report by the Chief Social Work Officer, submitted.)

11. Revenue Monitoring Report 2015/15 – Outturn Report

Committee considered details of the provisional 2014/15 outturn position for the Council based on the unaudited financial statements, which showed an overall underspend of £0.519 million.

Decision

- 1) To note the contents of the report and the provisional revenue underspend of £0.519 million for the year ended 31 March 2015.
- 2) To earmark up to £0.250 million of the General Fund surplus to support the development of the Edinburgh and South East Scotland City Region City Deal proposal, with the remaining balance of the underspend set aside within the Council Priorities Fund.
- 3) To note the contributions to and from the General Fund as detailed in the report.
- 4) To note the Housing Revenue Account was balanced after making a contribution of £2.5 million to the Renewal and Repairs Fund.

- 5) To note the Common Good Annual Performance Report would be considered at the Finance and Resources Committee's next meeting on 24 September 2015.
- 6) To refer the report to Council to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account.
- 7) To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

(References – Act of Council (No 13), 25 June 2015; report by the Deputy Chief Executive, submitted.)

12. Capital Monitoring 2014/15 – Outturn and Receipts

Details were provided on the final outturn on the Council's Capital Programme for 2014/15, including details of capital receipts and slippage/acceleration on projects within the Capital Investment Programme.

Decision

- 1) To note the 2014/15 final unaudited capital positions on the General Fund (excluding the tram project) and Housing Revenue Account (HRA).
- 2) To approve the revised Capital Programme for 2015-2020.
- 3) To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

(References – Finance and Resources Committee, 13 May 2015 (item 4); report by the Deputy Chief Executive, submitted.)

13. Revenue Monitoring 2015/16 – Month Three Position

The Committee considered a report on the overall position for the Council's revenue expenditure budget for 2015/16 as at month three, based on analysis of period two data.

Decision

- 1) To note the projected balanced position at month three, subject to approval by Council of £9.8 million of transitional savings and delivery of additional savings within Health and Social Care as noted below.
- 2) To note the Health and Social Care forecast overspend of £11.2 million and instruct the service to report further to the Finance and Resources Committee meeting on 24 September 2015, setting out progress in both the delivery of the agreed mitigating measures and development of additional proposals as necessary to deliver at least a further £1.4 million of net savings, in so doing returning the service budget towards a sustainable position.
- 3) To note the on-going risks and challenges in achieving the necessary offsetting projected underspends across other areas of the budget which would require further management actions and active scrutiny for the remainder of the year.

- 4) To note the balanced position projected on the Housing Revenue Account (HRA) after making a £17 million contribution towards the construction of new homes.
- 5) To refer the report to Council for approval of (i) the Spend to Save application for the Edinburgh Leisure web development project and (ii) the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecast overspend in Health and Social Care.
- 6) To subsequently refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

(References – Finance and Resources Committee, 4 June 2015 (item 2); report by the Deputy Chief Executive, submitted.)

14. Capital Monitoring 2015/16 – Month Three Position

Details were provided of the overall position of the Council's capital budget at month three and the projected outturn for the year.

Decision

- 1) To note the projected capital outturn positions on the General Fund and Housing Revenue Account (HRA) at month three.
- 2) To note the prudential indicators at month three.
- 3) To note that the Acting Director of Services for Communities was closely monitoring the capital receipts position.
- 4) To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

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

15. Corporate Governance Revenue Budget Monitoring 2015/16 and Capital Investment Programme – Month Two Position

Committee considered a report on the financial position of the Corporate Governance revenue budget after two months of the financial year and provided an update on the projected outturn for 2015/16. A projection was also provided for the Corporate Governance Capital Investment Programme.

Decision

- 1) To note the Corporate Governance service was projecting a favourable variance of £0.995 million.
- 2) To note the risks to the Corporate Governance service 2015/16 revenue budget projection.
- 3) To note expenditure on the Corporate Governance Capital Investment Programme was projected to be in line with budget.

(References – report by the Deputy Chief Executive, submitted.)

16. Budget and Transformation 2016-2019: Approach to Engagement

Details were provided on engagement with people and stakeholders on the budget proposals 2016 to 2019.

Decision

To approve the objectives and planned engagement tools outlined in paragraphs 3.8 and 3.9 of the report.

(References – Corporate Policy and Strategy Committee, 9 June 2015 (item 7); report by the Deputy Chief Executive, submitted.)

17. The City of Edinburgh Charitable Trusts – Unaudited Financial Statements 2014/15

The unaudited Charitable Trusts financial statements for 2014/15 which were issued to the External Auditors by 30 June 2015 were presented to Committee.

Decision

- 1) To note the unaudited financial statements for 2014/15 and that these had been submitted to the External Auditor.
- 2) To note that any relevant commentary on the Charitable Trusts would be included in the External Auditor's Annual Report on the 2014/15 Audit which would be reported to the Governance, Risk and Best Value Committee in September 2015.

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

18. Treasury Management: Annual Report 2014/15

An update was provided on the Treasury Management activity in 2014/15.

Decision

- 1) To note the Annual Report on Treasury Management for 2014/15.
- 2) To refer the report to Council for approval and subsequent referral by Council to the Governance Risk and Best Value Committee for their scrutiny.

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

19. Scottish Government Consultation on the draft Cyber Resilience Strategy for Scotland – Response

Approval was sought for the response to the Scottish Government's consultation on the draft Cyber Resilience Strategy for Scotland. The consultation was part of the overall commitment to building cyber resilience.

Decision

To agree the consultation responses, as set out in Appendix one of the report, be submitted to the Scottish Government.

(References – report by the Deputy Chief Executive, submitted.)

20. Review of Whistleblowing Arrangements

Committee considered a summary report on the results of an external review into the Council's pilot whistleblowing arrangements, and approval was sought for the action plan described in Appendix 2 of the report to continue to develop and improve the service.

Decision

- 1) To note the findings of the review.
- 2) To agree the action plan outlined in Appendix 2 of the report subject to the deletion of recommendation 5 in the Whistleblowing Review Action Plan.
- 3) To approve the extension of the pilot contract arrangements with the current external provider until 11 May 2016.
- 4) To agree to retain the independence of the external provider in terms of how investigations would be carried out, contrary to paragraph 3.3 of the report.

(References – Finance and Resources Committee, 19 September 2013 (item 2); report by the Deputy Chief Executive, submitted.)

21. Governance of Major Projects: Progress Report

An update was provided on the major projects portfolio and the upcoming assurance review schedule.

Decision

- 1) To note the current synopsis of the dashboard reports for the major projects portfolio set out in Appendix 1 of the report.
- 2) To note the current assurance review schedule for the last two quarters of 2015/16 as set out in appendix 2 of the report.

(References – Governance, Risk and Best Value Committee, 21 May 2015 (item 8); report by the Deputy Chief Executive, submitted.)

22. Update of the Cycling Hub and Closed Road loop – referral from the Culture and Sport Committee

The Culture and Sport Committee on 18 August 2015 considered an update report on the appointment of a new design team to create a sustainable cycling loop at Hunter's Hall Park. In a parallel search, two possible sites were identified in the West of the Edinburgh as suitable locations for a Closed Road Loop. The report was referred to the Finance and Resources Committee for information.

Decision

To note the report.

(References – Finance and Resources Committee, 13 May 2015 (item 21); report by the Deputy Chief Executive submitted).

23. Specialist Marketing and PR for Assembly Rooms and Church Hill Theatre – Award of Contract

Approval was sought to award a Specialist Marketing and PR contract for the Assembly Rooms and Church Hill Theatre at a cost of £54,000 for two years.

Decision

To approve the award of a contract for Specialist Marketing and PR for the Assembly Rooms and Church Hill Theatre to 3x1 Public Relations for the contract sum of £108,000 over the full four-year contract term. The contract was for an initial two years (from 1 September 2015 to 31 August 2017) at a cost of £54,000 with an option to extend it for a further two years as one year extensions (2+1+1) at a cost of £27,000 per annum.

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

24. Extension of Contract for Telecare Technology (Installation Maintenance and Responsive Repair)

Approval was sought for a waiver of the Contract Standing Orders to award a contract extension to SPIE Scotshield for Telecare Technology until 31 March 2016.

Decision

To approve a waiver of the Contract Standing Orders and the award of a contract extension to SPIE Scotshield for the installation, maintenance and responsive repair of telecare technology until 31 March 2016, at a value of approximately £90,000.

Declaration of Interest

Councillor Edie declared a financial interest as Chair of the Care Inspectorate.

(Reference – report by the Acting Director of Services for Communities, submitted).

25. Contract Award for Homeless Prevention – Domestic Abuse Services

Approval was sought to award seven contracts to third sector to provide support to women who had suffered domestic abuse.

Decision

- 1) To note that overall annual equivalent savings of £196,690 were achieved through the reduction of the annual budgeted expenditure from £1,173,298 to £976,608 from November 2015.
- 2) To note the collaborative work with service providers and other stakeholders, carried out to date, for the delivery of services to women who had suffered domestic abuse within Edinburgh.
- 3) To approve the award of three contracts to provide visiting housing support to women who had suffered domestic abuse for the duration of an 18 month pilot (with an option to extend for a further six months to allow services to be re-procured). The organisations to be awarded contracts were: Edinburgh Women's Aid, Shakti Women's Aid and Saheliya. The total annual value of the contracts from November 2015 was £240,168 up to a £480,336 for 18 months plus extension.
- 4) To approve the award of four contracts to provide temporary accommodation in the form of three refuges and one hostel for the duration of an 18 month pilot (with an option to extend for a further six months to allow services to be reprocured). The organisations to be awarded contracts were Edinburgh Women's Aid (2 contracts), Keymoves Cranston Street Women's Hostel and Shakti Women's Aid refuge. The total annual value of the contracts from November 2015 was £739,440 up to a £1,478,880 for 18 months plus extension.
- 5) To note the review process for the pilot as outlined in section 3.14 and 3.15 of the report.

Declarations of Interest

Councillors Edie and Corbett declared financial interests as Chair of the Care Inspectorate and an employee of Shelter Scotland, respectively.

(References – Finance and Resources Committee, 3 February 2015 (item 11); report by the Acting Director of Services for Communities, submitted).

26. Former Tenants Rent Arrears 2014/15

Committee were asked to approve the write-off of £530,187 of rent arrears from the Housing Revenue Account for 221 former tenants with over £100 rent arrears outstanding.

Decision

- 1) To approve the write-off of £530,187 rent arrears of 221 former Council tenants who had a balance greater than £1,000 outstanding in 2014/15.

- 2) To note that the total number of former tenants' arrears cases written off was reduced by 9%, from 869 in 2013/14, to 794 in 2014/15.
- 3) To note that debt written off, excluding deceased cases, would continue to be pursued by the Council.

(References – Corporate Policy and Strategy Committee, 9 June 2015 (item 14); report by the Acting Director of Services for Communities, submitted.)

27. Homeless Prevention – Advice and Support: Additional Contracts

Approval was sought to award contracts for the provision of housing support until 31 March 2016.

Decision

- 1) To approve the award of contracts to four providers (Blackwood Care, Health in Mind, Link Living and Penumbra) for the period 13 October 2014 to 31 March 2016 to provide housing support to identified individuals, to a total value of £686,442.
- 2) To authorise the Contract Standing Orders to be waived, deemed to be in the Council's best interests to ensure continuity of care.
- 3) To note that, in relation to EU tendering, these contracts were categorised as "Health and Social Services" and were exempt from full EU tendering requirements.

Declarations of Interest

Councillors Edie and Corbett declared financial interests as Chair of the Care Inspectorate and an employee of Shelter Scotland, respectively.

(References – Finance and Resources Committee, 28 November 2013 (item 14); report by the Acting Director of Services for Communities, submitted.)

28. Our Power: Tackling Fuel Poverty for Council Tenants – referral from the Health Social Care and Housing Committee

The Health, Social Care and Housing Committee on 16 June 2015 considered a report which sought approval for the Council, as a social housing provider, to join Our Power and enter an agreement with the company as the preferred supplier for its empty homes. The report was referred to the Finance and Resources Committee for approval of the proposal for the Council to join Our Power and enter into agreement with the company as preferred supplier for its empty homes.

Decision

To approve the proposal for the Council, as a social housing provider, to join Our Power and enter into agreement with the company as the preferred supplier for its empty homes.

(References – Finance and Resources Committee, 3 February 2015 (item 10); report by the Acting Director of Services for Communities, submitted.)

29. Invest to Improve, Invest to Grow – Edinburgh Housing Revenue Account Business Plan – referral from the Health Social Care and Housing Committee

The Health, Social Care and Housing Committee on 16 June 2015 considered a report which sought approval of the Housing Revenue Account (HRA) business plan 2015/16 to 2045/46. The report was referred to the Finance and Resources Committee for approval to review options for increasing the HRA's contingency and future investment fund over the next five years.

Decision

To agree to review the options for increasing the HRA's contingency and future investment fund over the next five years.

(References – Health, Social Care and Housing Committee, 16 June 2015 (item 12); report by the Acting Director of Services for Communities, submitted.)

30. Waiver Report for Servicing and Repairs Contract

Approval was sought for the waiver of standing orders to allow the extension of current contracts for service and repair until December 2015. This would enable the creation of a new contract/framework through a tendering process.

Decision

To approve the waiver reports attached in Appendix 1 of the report.

(Reference – report by the Chief Social Work Officer, submitted.)

31. Approval for Appointment of Workplace travel planning Consultant for Smarter Choices, Smarter Places

The Committee considered a report which sought approval to award the workplace travel planning contract, which formed part of the Smarter Choices Smarter Places Programme, to Grontmij Limited.

Decision

To approve the award of the workplace travel planning contract to Grontmij Limited for a value of £122,532.

(Reference – report by the Acting Director of Services for Communities, submitted.)

32. Bustracker Operation and Maintenance

Approval was sought for the waiver of the contract standing orders and the continued use of the Bustracker system for a further year at the value of £450,000.

Decision

To approve continued quarterly maintenance payments to Cofely Ineo and associated payments to radio infrastructure and first line maintenance providers for a period of 12 months at a value of approximately £450,000, with an option to extend for a further 6 months. This would allow the Bustracker system to continue operating until an options

appraisal for longer-term maintenance, development and appropriate procurement strategy was confirmed.

Declaration of Interest

Councillor McVey declared a non-financial interest as a Director of Transport for Edinburgh.

(Reference – report by the Acting Director of Services for Communities, submitted.)

33. Supply of Non-Wheeled Water and Recycling Containers and Spare Parts

Approval was sought for the appointment of Spider UK Limited for the supply and delivery of non-wheeled waste and recycling containers and spare parts for a two year period.

Decision

To approve the appointment of Spider UK Ltd, as a single supplier framework agreement for the Supply and Delivery of Non-wheeled Waste and Recycling Containers and Spare Parts, for a period of two years with the option to extend by two 12 month periods.

(References – Transport and Environment Committee, 27 August 2013 (item 20); report by the Acting Director of Services for Communities, submitted.)

34. Approval to Grant a License to Edinburgh Community Solar Co-Operative to Install Solar PV Panels on Council Owned Buildings

The Committee considered a report which sought authority to grant a 21 year license to Edinburgh Community Solar Limited to install community-owned solar Photovoltaic on the roofs of 25 Council Owned buildings.

Decision

To approve the grant of a 21 year licence to Edinburgh Community Solar Cooperative for the installation of Solar PV Panels on Council owned buildings.

(References – Transport and Environment Committee, 13 January 2015 (item 28); report by the Acting Director of Services for Communities, submitted.)

35. Edinburgh Technology Transfer Centre Limited

Approval was sought to terminate the Council's shareholding in Edinburgh Technology Training Centre (ETTC) to allow liquidation of the company and to terminate the lease of the third and fourth floors of the Alrick Building.

Decision

- 1) To agree to renounce the Council's shareholding in Edinburgh Technology Transfer Centre Limited.

- 2) To approve the termination of the lease of the third and fourth floors of the Alrick Building to Edinburgh Technology Transfer Centre.
- 3) To approve the termination of the lease of the third and fourth floors of the Alrick Building to the Council from the University of Edinburgh.
- 4) To note that the University of Edinburgh remained committed to providing business incubation services and was a key partner in the Council's Interspace programme.

(Reference – report by the Executive Director of City Strategy and Economy, submitted.)

36. Property Conservation – Programme Momentum Progress Report

An update was provided on the progress of the property conservation programme momentum.

Decision

- 1) To note the management information dashboard reports in Appendix 1 of the report.
- 2) To note the financial statements for Delegated Authority – irrecoverable sums and settlements.
- 3) To note the value of irrecoverable sums from Deloitte reviewed casework (Project Joule).
- 4) To note the progress of debt recovery work.

(References – Finance and Resources Committee, 4 June 2015 (item 23); report by the Deputy Chief Executive, submitted.)

37. Summary Report on Property Transactions concluded under Delegated Authority

Committee considered a report which detailed all the lease agreements concluded in terms of the Council's 'Scheme of Delegation to Chief Officials'.

Decision

To note the 81 transactions, detailed in the Appendix to the report, that had been concluded in terms of the Council's 'Scheme of Delegation to Chief Officials.'

(Reference – report by the Acting Director of Services for Communities, submitted.)

38. Sale of Housing Revenue Account Land – 16 Cleric's Hill Gateside, Kirkliston

Approval was sought for the disposal on 167 square meters of Housing Revenue Account (HRA) land adjacent to the applicant's property. If approved, an application would be made to Scottish Ministers for consent to dispose of this HRA land.

Decision

- 1) To approve a sale of the site to the applicant under terms and conditions to be agreed by the Acting Director of Services for Communities and the Head of Legal, Risk and Compliance.
- 2) To grant authority to the Acting Director of Services for Communities to negotiate a sale price with the applicant which reflected best value to the HRA.
- 3) To note that an application would be made to Scottish Ministers under Section 12(5) of the Housing (Scotland) Act 1987 for consent to dispose of the site.

(Reference – report by the Acting Director of Services for Communities, submitted.)

39. Proposed short-term lease extension of Victorian market at Tron Kirk, 122 High Street, Edinburgh

Approval was sought to grant a 12 month lease extension to the Edinburgh World Heritage Trust (EWHT) to use the Tron Kirk as a venue for a Victorian Market on the provisionally agreed terms set out in the report.

Decision

To approve a 12 month lease extension to Edinburgh 2014, on the terms outlined in the report, and on the other terms and conditions to be agreed by the Acting Director of Services for Communities.

(Reference – report by the Acting Director of Services for Communities, submitted.)

41. Proposed Lease of Rooftops for the Citywide Smart Meter Project

The Committee considered a report which sought approval to grant new three year leases to Arqiva Limited, on terms set out in the report. This would allow smart metering where customers could monitor, in real time, their energy usage and cost.

Decision

To approve the lease of part of the rooftops of Kirkgate House, Greendykes House and Trinity Academy for the installation of Smart Meter radio transmitting equipment, on the terms outlined in the report, and on other terms and conditions to be agreed by the Acting Director of Services for Communities.

(References – Act of Council (No 3), 15 March 2005; report by the Acting Director of Services for Communities, submitted.)

42. Proposed Sale of Baird house, 12 Newtoft Street, Edinburgh

Approval was sought to sell the property at Baird House to Abbey Properties Ltd on the terms and conditions as outlined in the report.

Decision

To authorise the sale of Baird House, on the terms and conditions highlighted in the report, and on other terms and conditions to be agreed by the Acting Director of Services for Communities.

(Reference – report by the Acting Director of Services for Communities, submitted.)

43. Proposed new Lease to Daniel Kubiak at 10 West Harbour Road, Granton, Edinburgh

Committee were provided with a report which sought approval to grant a new 10 year lease for the workshop and storage shed at 10 West Harbour Road, to Daniel Kubiak on the terms set out in the report.

Decision

To approve the lease of workshops at 10 West Harbour Road, to Daniel Kubiak, from 1 September 2015 to 31 August 2025, on the terms outlined in the report, and on other terms and conditions to be agreed by the Acting Director of Services for Communities.

(Reference – report by the Acting Director of Services for Communities, submitted.)

44. Grant of Servitude – Gogar Gateway Interchange Station – Gas Main Diversion

Committee approval was sought to grant servitude to Scottish Gas Networks (SGN) on the terms set out in the report which would allow the diversion of an existing gas main for the construction of Edinburgh Gateway Station.

Decision

To approve the grant of a servitude to Scottish Gas Networks on the terms outlined in the report, and on such other terms and conditions to be agreed by the Acting Director of Services for Communities.

(Reference – report by the Acting Director of Services for Communities, submitted.)

44. Resolution to consider in private

Decision

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following items of business on the grounds that they involved the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

45. Property Conservation – Irrecoverable Sums; Debt Recovery and Settlements

An update was provided on irrecoverable sums approved under delegated authority and the current provision for impairment and settlements.

Decision

- 1) To note the settlement sums authorised to complainants and other affected owners under delegated authority in Appendix 1 of the report.
- 2) To note the provision for impairments and settlements in Appendix 2 of the report.

- 3) To request a report was brought back to the Finance and Resources Committee on 24 September 2015 which provided an overview of the total costs involved to recover the debts that had been collected.

(References – Finance and Resources Committee, 4 June 2015 (item 29); report by the Deputy Chief Executive, submitted.)

46. Property Conservation – Claims Recovery

The Committee considered an overview of the irrecoverable sum provision made through the Project Joule review and the potential recovery routes open to the Council.

Decision

- 1) To note the most likely potential recovery routes from contract administrators and contractors detailed herein.
- 2) To accept the recommendation to carry out a detailed review of limited preselected projects in accordance with the terms set out herein.
- 3) To note the alternative options open to Council in the event there was difficulty recovering the sums written off.
- 4) To note that the report had only considered the irrecoverable sum provision made against unbilled projects, reviewed by Deloitte under Project Joule.
- 5) To note the detailed breakdown of the irrecoverable sums per project in Appendix 1 of the report.

(Reference - report by the Deputy Chief Executive, submitted.)

47. Sale of Site at 18-28 Dewar Place / 44-50 Torphichen Street, Edinburgh

A summary report was considered on the two offers received for the joint sale of 18-28 Dewar Place/44-50 Torphichen Street, and approval was sought to sell the site to Croydon Hotels Ltd on the main terms as outlined in the report.

Decision

To approve the sale of the site at 18-28 Dewar Place/44-50 Torphichen Street, to Croydon Hotels Ltd, on the main terms outlined in paragraph 3.10 and on other terms and conditions to be agreed by the Acting Director of Services for Communities.

(Reference – report by the Acting Director of Services for Communities, submitted.)

48. Homelessness Prevention: Risk Management

The Committee ruled in terms of Standing Order 27(1)(b), that this item, which included an option which, if accepted, would require a change to the Finance and Resources Committee item 17 of 4 June 2015, should be considered as the decision was based on erroneous, incorrect, or incomplete information.

An update was provided on Streetwork UK Limited's performance in relation to the provision of housing support services and sought approval for the continuation of enhanced contract management alongside additional risk management by the Council.

Decision

- 1) To note that Streetwork was requesting the write off of the value of under-provision and reimbursement of additional costs which was estimated at a total value of £690,799.
- 2) To agree that Cost Group A was offset against the under-provision from the Streetwork Services Contract to a value of £109,346.
- 3) To agree that Cost Group B was also offset against the under-provision from the Streetwork Services Contract to a value of £116,212.
- 4) To agree that £38,484 was recovered from Streetwork for the Tenancy Support Services Contract and £49,521 was recovered from the Multiple Needs Service Contract. The total of this under-provision to be reclaimed is £88,005 and may be recovered through 'in kind' service provision.
- 5) To agree that officers, at the appropriate time, assess under-provision and unplanned costs for 2015/16 in line with the principles and decisions of the report.
- 6) To note that officers would apply enhanced contract management to the operation of the new contract to minimise risk of contract failure.
- 7) To note that, if the collaborative pilot did not proceed, officers would bring forward a further report on the reshaping and re-commissioning of these services, beyond March 2016.
- 8) To agree to receive an update on progress within two cycles.

(References – Finance and Resources Committee, 4 June 2015 (item 17); report by the Acting Director of Services for Communities, submitted.)

Item 6.1 - Key decisions forward plan

Finance and Resources Committee

[24 September – 29 October 2015]

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
1.	Transformation programme: progress report	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Jim McIntyre , Programme Director, Transformation Programme	
2.	Workforce controls	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Martin Glover , Interim Head of People and Organisation	
3.	Civic Hospitality Policy	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Kirsty-Louise Campbell , Strategy & Governance Manager	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
4.	Revenue Monitoring 2015/16 – month five position	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Hugh Dunn , Head of Finance	
5.	Capital Monitoring 2015/16 – Month five position	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Hugh Dunn , Head of Finance	
6.	Corporate Governance Revenue Budget Monitoring 2015/16 and Capital Investment Programme	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Hugh Dunn , Head of Finance	
7.	Council Tax Empty Properties - Procedure Review	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Danny Gallacher , Head of Customer Services	
8.	Police Costs for Edinburgh's Hogmanay	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Lynne Halfpenny , Head of Culture and Sport	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
9.	Property Conservation – Programme Momentum Progress Report	29 October 2015		Alastair Maclean, Deputy Chief Executive Lead Officer: Andrew Field , Head of Shared Repairs Service	
10.	Replacement of Oxfangs YPC	29 October 2015		Director: Gillian Tee, Director of Children and Families Lead Officer: Alistair Gaw , Head of Support to Children & Young People	
11.	Framework Agreement for Fostering Placements	29 October 2015		Director: Gillian Tee, Director of Children and Families Lead Officer: Alistair Gaw , Head of Support to Children & Young People	
12.	Health and Social Care Integration: update	29 October 2015		Director: Michelle Miller, Acting Director of Health & Social Care Lead Officer: Susanne Harrison , Integration Programme Manager	
13.	Transfer of Former Ravensglass Hostel, 432 Lanark Road, Edinburgh to Housing Revenue Account	29 October 2015		Director: John Bury, Acting Director of Services for Communities Lead Officer: Michael Thain , Strategy and Investment Manager	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
14.	Procurement Options for Energy Related Services	29 October 2015		Director: John Bury, Acting Director of Services for Communities Lead Officer: Michael Thain , Strategy and Investment Manager	
15.	Redhall House and Lawn - Progress Report	29 October 2015		Director: John Bury, Acting Director of Services for Communities Lead Officer: Peter Watton , Acting Head of Corporate Property	
16.	Proposed Lease Extension at 96 Niddrie Mains Road, Edinburgh.	29 October 2015		Director: John Bury, Acting Director of Services for Communities Lead Officer: Peter Watton , Acting Head of Corporate Property	

Item 6.2 - Rolling Actions Log

Finance and Resources Committee

29 August 2013 – 27 August 2015

1	29-08-13	People's Network Public Internet Access	To request further exploration of opportunities to extend the accessibility of the service in venues in addition to libraries.	Acting Director of Services for Communities	May 2015		
2	05-06-14	Property Conservation - Complaints Resolution	1) To repeal the Committee decisions of 31 October 2013 and 3 February 2014.	Deputy Chief Executive	Ongoing		Ongoing
			2) To instruct the Chief Executive to report back to the Finance and Resources Committee by the end of September 2014, setting out how various complaints were categorised, and in relation to debt recovery, an aged debt analysis and breakdown by value,				Monthly reports were brought to F+R Committee that contain this information - ongoing

			and by the end of December 2014, setting out what (if any) complaints remained unresolved.				
			3) To agree that monthly update reports would be brought to the F+R Committee.				Ongoing
3	30-07-14	Cost of Care at Home	To request that progress reports were brought to the Finance and Resources Committee in December 2014 and March 2015.	Chief Social Work Officer	Ongoing		Report would be brought to the F+R Committee on 13 May 2015 – ongoing.
4	30-07-14	Waiver Report - Clothing Voucher Scheme	To request a report was brought to the next meeting of the Finance and Resources Committee detailing the management process for dealing with contracts.	Executive Director of Families and Communities	28-08-14		
5	30-09-14	2015/18 Revenue and Capital Budget Framework	1) To instruct the Chief Executive to bring a business plan for each theme to Finance and Resources in December 2014, to include all financial due diligence including: risk register,	Chief Executive/ Deputy Chief Executive	15-01-15		Report was brought to the F+R Committee 15 January 2015. Further reports would be brought to the F+R Committee

			people plan, savings analysis underpinned by robust management information.				19 March and 13 May 2015 – ongoing.
			2) To agree that each quarterly assessment, of a three year budget framework, was both monitored and subsequently verified by the Finance and Resources Committee against delivery of each theme.	Chief Executive/ Deputy Chief Executive	Ongoing		Report to be brought to F+R Committee of 3 February 2015 - ongoing
6	30-10-14	Revenue Monitoring 2014-15 Half-Year Position	1) To instruct the Director of Health and Social Care to identify proposed measures to bring expenditure back into line with approved levels and report these at period 8.	Chief Social Work Officer/Deputy Chief Executive			Ongoing
7		Rolling Actions Log Finance and Resources Committee	To circulate the briefing on Zero Contract Hours previously received by the Convener to members of the Finance and Resources Committee.				A briefing was circulated to members on 22 January 2015. The Convener and Vice Convener would decide if a report

							was required to come to a future meeting of the F+R Committee. A report would be brought the F+R Committee on 24 September 2015 – ongoing.
8	15-01-15	Governance of Major Projects	1) The Director of Corporate Governance would pursue progress with senior officers at BT regarding the Learning and Teaching Refresh (bandwidth upgrades).	Deputy Chief Executive	As soon as possible		
			2) An update would be provided to the Finance and Resources Committee on 3 February 2015 regarding progress on the Water of Leith, Flood Prevention Scheme		03-02-15	19-03-15	A briefing note would be circulated to members and a report would be brought to the F+R Committee on 19 March 2015 – ongoing.

			Phase 2. 3) To include a reference to Phase 2 of the Niddrie Burn Restoration in future reports to the Finance and Resources Committee.				
9	15-01-15	Transport Marshalls – Request for Contract Extension	To request a report detailing management information for contracts and the process which they are controlled was brought to the Finance and Resources Committee in May 2015.	Acting Director of Services for Communities	13-05-15		Report to be brought to the F+R Committee on 13 May 2015 – ongoing
10	15-01-15	Surplus Council Property Assets - referral from Economy	To request a briefing was circulated to members of the Finance and Resources Committee containing further information on the access strip at Whitehill.	Acting Director of Services for Communities	As soon as possible		
11	04-06-15	Health and Social Care Budget – Further Progress Report	1) To note the update from the Chief Executive in Corporate support to Health and Social	Chief Social Work Officer	As soon as possible		Ongoing

			<p>Care, in relation to the remaining funding gap of £5 million, and change and programme management support to assist delivery of the wider Health and Social Care Transformation Programme, and to agree that the Committee would be provided with a report detailing the results of month 3 monitoring to identify any progress/issues in relation to the £5 million Health and Social Care funding gap.</p> <p>2) To authorise the Director of Corporate Governance, in consultation with the Convener and Vice</p>				
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			<p>Convener of the Finance and Resources Committee to extend the contract with KPMG for 3 months for additional work to be done on the review of the Health and Social Care budget, subject to funding being identified for the additional £166,000 costs.</p> <p>3) To agree that the Director of Health and Social Care meets with KPMG to discuss the proposals contained within the report and future measures.</p> <p>4) To agree that the Director of Health and Social Care would clarify whether exit interviews were</p>				
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			carried out with staff that has left Health and Social Care posts.				
12	04-06-15	Accounts Commission Review of Treasury Management	The Head of Finance to arrange a seminar for members ahead of the next treasury report being considered at Committee outlining information needed to allow members to fully scrutinise Treasury Management.	Deputy Chief Executive	As soon as possible		
13	04-06-15	Edinburgh's Christmas and Hogmanay Extension to Consortiums Contract	<ol style="list-style-type: none"> 1) To instruct officers to work with event organisers and relevant bids to extend the 2015/16 Christmas and Hogmanay program in the first instance to include the Grassmarket and Old Town. 2) To instruct officers from Corporate Governance and Economic Development to work with the vent 	Deputy Chief Executive	27-08-15		Report on Poling Cost to be brought to the F+R Committee on 24 September 2015 - ongoing

			<p>organisers to secure commercial opportunities designed to increase the Council's financial return on the event in 2015/16 and 2016/17.</p> <p>3) To submit a report to the Finance and Resources Committee in August 2015 providing details of policing costs for the event for 2015/16 and 2016/17.</p> <p>4) To make a representation to the Scottish Government to examine mechanisms for funding towards the Council's contribution to increasing visitor numbers in</p>				
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			Edinburgh.				
14	04-06-15	Home Energy Efficiency Programmes for Scotland	To provide a briefing note on how the impact of home energy efficiency programmes compared to scale with challenges of fuel poverty and carbon reduction that would be circulated to members.	Acting Director of Services for Communities	As soon as possible	30-06-15	
15	04-06-15	Redhall House and Lawn Progress Report	1) To instruct officers to seek further assurance from the building owner and/or agent, due to the protracted period since a petition on Redhall House was first submitted in November 2013, and the gap of more than 5 months between a planning was submitted on 23 December 2014 and additional information being received so that public consultation could commence on	Acting Director of Services fro Communities			Ongoing

			<p>1 June 2015, that they understood the need for demonstrable progress to protect a deteriorating building.</p> <p>2) To agree that a further report would be brought to the Finance and Resources Committee no later than October 2015 or upon determinations of the planning application if sooner.</p>				
16	27-08-15	Specialist Marketing and PR for the Assembly Rooms and Church Hill Theatre - Award of Contract	To circulate a briefing note to elected members on the amount of revenue that would be created by the specialist marketing contract.	Deputy Chief Executive	As soon as possible	04-09-15	Briefing note circulated - closed.
17	27-08-15	Property Conservation - Programme Momentum	To investigate the number of cases that had not initially been involved in the Deloitte review but had	Deputy Chief Executive	As soon as possible		

		Progress Report	offered to pay to have their cases reviewed.				
18	27-08-15	Proposed 25 Year Lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh	To request that officer from Corporate Property work alongside the Rivers Centre Public Social Partnership/Carr Gomm to identify alternative accommodation and to report the outcome back to Committee.	Acting Director of Services for Communities	Not specified		
19	27-08-15	Property Conservation – Irrecoverable Sum, Debt Recovery and Settlements	To bring a report back to the next Committee that would provide the total Property Conservation costs paid out to recover the debts that had been collected.	Deputy Chief Executive	24-09-15		
20	27-08-15	Property Conservation – Claims Recovery	<ol style="list-style-type: none"> 1) To include the contact details of the lead officer for each project. 2) To include an additional column in Appendix 1 in future reports to represent the percentages of non-recoverable sums. 	Deputy Chief Executive			

Finance and Resources Committee

10.00 a.m, Thursday, 24 September 2015

Bridgend Farmhouse and Steadings: Update

Item number	7.1
Report number	
Executive/routine	Executive
Wards	16 - Liberton/Gilmerton

Executive summary

This report updates Committee on the progress by Bridgend Inspiring Growth (BIG) to obtain lottery funding for the redevelopment of the farmhouse, and seeks approval to offer the sale of the property to BIG on terms and conditions outlined in this report. BIG proposes the creation of a social enterprise company to deliver a Learning, Eating and Exercise Centre following refurbishment and extension.

Links

Coalition pledges	P17
Council outcomes	CO7
Single Outcome Agreement	SO4

Bridgend Farmhouse and Steadings: Disposal Update

Recommendations

That Committee:

- 1.1 Notes the update on the progress of Bridgend Inspiring Growth (BIG) to obtain lottery funding for the redevelopment of the farmhouse and steading; and
- 1.2 Authorises the offer of sale of the property to BIG, on the main terms set out in this report, and on the other terms and conditions to be agreed by the Director of Services for Communities.

Background

- 2.1 On 29 April 2014, the Economy Committee authorised the sale of the property to BIG, as shown outlined in red on the attached plan. The full decision was:-
 - To authorise a 12 month lease of the property to Bridgend Inspiring Growth (BIG) to enable stage two lottery funding to be progressed;
 - To authorise sale of the property to BIG if it is successful in securing stage two lottery funding within the next 12 month;
 - To accept that if stage two lottery funding is not progressed after 12 months, a report will be brought back to Economy Committee recommending options for sale of the property; and
 - To refer the report to the Finance and Resources Committee for ratification.

This decision was ratified by the Finance and Resources Committee on 7 May 2014.
- 2.2 BIG proposes to create a social enterprise company to refurbish and extend the property to deliver a Learning, Eating and Exercise Centre.

Main report

- 3.1 Negotiations on the terms and conditions of the lease were protracted, however, BIG entered into a lease of the property for one year from the 1 October 2014 until 30 September 2015.
- 3.2 BIG secured development funding from the Big Lottery (£50,000) to prepare its stage two application in April 2014 enabling it to appoint a design and project development team. Both teams were appointed in the autumn of 2014, and

work began in designing the renovation and workshops, and preparing the lottery application and business plan.

- 3.3 Planning permission for the renovation work and new workshops was secured in April 2015. As part of this work all necessary surveys have been carried out (including asbestos survey; bat survey; CCTV survey; drainage survey; archaeological survey etc). The restored building will provide a strategic base to deliver learning, providing access to cooking and healthy eating and exercise, and the promotion of healthy lifestyles.
- 3.4 Following the lease of the property, BIG has undertaken community consultation and has developed and delivered a programme of various activities on the site, including weekly drop in sessions, where volunteers undertake cleaning and maintenance work on the surrounding grounds and building interior. Other initiatives, which have been undertaken, are DIY renovation courses, craft groups, stone wall restoration courses, forest workshops and various outreach and education programmes. It is proposed that these uses will continue in the refurbished property.
- 3.5 A stage two lottery application, and business plan were submitted to the Lottery in June 2015. The lottery application was made to the Big Lottery: Investing in Communities: Supporting 21st Century Life. This fund closed for new applications on 30 June 2015.
- 3.6 In order to be considered for a lottery grant, BIG requires the ownership of the property to be transferred. The Investing in Communities lottery fund is designed to support communities to take more control, and influence over their own future, through ownership of assets.
- 3.7 BIG's application to the fund is predicated on the asset being transferred at nil consideration, and will be considered by the Investing in Communities lottery fund committee on the 7 October 2015. This is their expectation following the previous decisions of the Council.
- 3.8 Following the marketing of the property, the market value has been established at £205,000. The previous decision of the Economy and Finance and Resources Committees was to offer the property for sale to BIG subject to securing the necessary stage two funding. Consequently, the following terms and conditions are proposed to be offered:-

Purchaser: Bridgend Inspiring Growth;
Price: £205,000;
Use: Learning, Eating and Exercise Centre and for no other purpose;
Conditions: Subject to obtaining stage two lottery funding from Investing in Communities: Supporting 21st Century Life and completion of the project as outlined in the planning permission; and
Costs: BIG will pay the Council reasonably incurred legal and surveyors fees.

Measures of success

- 4.1 The reinstatement of a dilapidated property and supporting the community to deliver a Learning, Eating and Exercise Centre.

Financial impact

- 5.1 A capital receipt of circa £205,000 credited to the general fund.

Risk, policy, compliance and governance impact

- 6.1 If the Community Group are unable to obtain a lottery grant to refurbish the property, the deterioration may have an impact of future value.
- 6.2 Failure of the social enterprise company to achieve the outcomes described in its business plan resulting in closure of the enterprise.

Equalities impact

- 7.1 If BIG purchases the property for a learning centre for ecological and environmental education, including a learning, eating and exercise centre, the rights to health, education and learning will be enhanced.
- 7.2 By targeting the centre towards people with disabilities, and disadvantaged local residents, the proposal would have a positive impact on the public sector duty to advance equality of opportunity.
- 7.3 By offering the property to BIG, other potential purchasers will be excluded. This is held to be justifiable and proportionate if the benefits of BIG's proposal are achieved.

Sustainability impact

- 8.1 Any refurbishment or extension of the property will comply with minimum building standards and incorporate modern sustainable methods of construction.

Consultation and engagement

- 9.1 Ongoing discussions with Bridgend Inspiring Growth representatives.
- 9.2 Discussions with the Investing in Communities lottery fund representatives.

Background reading/external references

Minutes of Economy Committee meeting of the 29 April 2014.

John Bury

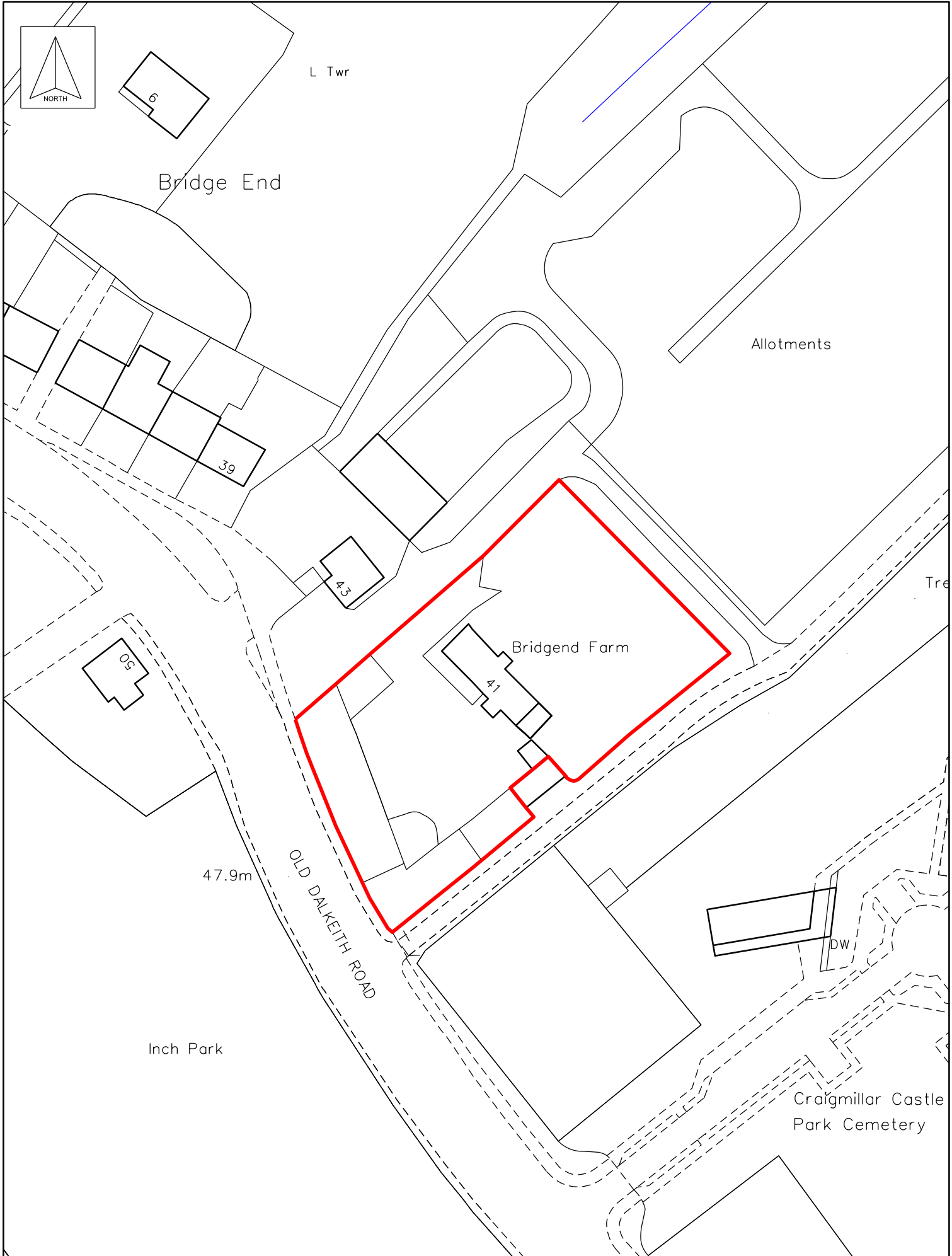
Acting Director of Services for Communities

Contact: Alistair McArthur, Consultant Estates Surveyor

E-mail: alistair.mcarthur@edinburgh.gov.uk | Tel: 0131 529 5261

Links

Coalition pledges	P17 – Continue efforts to develop the City’s gap sites and encourage regeneration.
Council outcomes	CO7 – Edinburgh draws new investment in development and regeneration.
Single Outcome Agreement	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric.
Appendices	Location Plan.



TITLE
 Bridgend Farm
 Old Dalkeith Road
 Edinburgh

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•EDINBURGH•
 Estate Services
 Corporate Property
 Services for Communities
 4 East Market Street

DATE
 March 2014

SCALE
 1:800 @ A4

DRAWN BY
 A.Powers

Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Transformation Programme: Property and Asset Management Strategy

Item number 7.2
Report number
Executive/routine
Wards

Executive summary

This report sets out the business case for property and asset management which aims to deliver in excess of £9million recurring annual savings as part of the Council's wider Transformation Programme.

If the recommendations set out in the business case are approved it is estimated that the net saving in the first four years will be in the region of £18million, increasing to a net saving of approximately £80million over a 10 year period.

As well as seeking to deliver significant financial benefits the business case also aims to create a credible, focused and sustainable delivery organisation for property and facilities management; provide a fit for purpose, right-sized and safe estate; provide an appropriate level of service at an acceptable and efficient cost; and act in a commercial manner in pursuit of maximising value for the Council.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Transformation Programme: Property and Asset Management Strategy

Recommendations

- 1.1 To approve the recommendations set out in the Deloitte business case as follows:
 - 1.1.1 to speed up the consolidation of property related budgets and associated resources into Corporate Property in line with the assumptions underpinning the business case and to strengthen the property management control function by no later than 31 December 2015;
 - 1.1.2 Continue to incorporate changes to the financial baseline through the change control process and to re-profile the current revenue savings from iPFM to the new Asset Management Strategy (AMS);
 - 1.1.3 To proceed with the planned investment strategy outlined in Section 4 of the business case, including consolidation of the investment portfolio and reinvesting the sale proceeds into the acquisition of income generating assets;
 - 1.1.4 To approve the adoption of the Enterprise Wide Strategic Partner model and to proceed with planning for the procurement of an Enterprise Wide Strategic Partner. This planning should include soft market testing to confirm market appetite, validation of indicative cost savings outlined in the business case and further work to confirm the scope of the Partner arrangement;
 - 1.1.5 To recognise the requirement to remediate the revenue backlog maintenance. The prioritisation of addressing the backlog should be based on a proper risk assessment, which could result in a requirement for additional capital expenditure in maintenance projects;
 - 1.1.6 To develop a revised Service Level Agreement (SLA) for FM services with estate users that reflects the proposed service delivery model;
 - 1.1.7 To proceed with all of the Estate Rationalisation opportunities outlined in Section 3 of the business case through engagement with users of the estate. Furthermore, allocate resources to develop detailed implementation plans for these opportunities;
 - 1.1.8 Allocate resources to reassess the core portfolio of operational assets (including libraries, museums and community centres) ensuring stakeholder engagement and exit planning where appropriate; and

- 1.1.9 Immediately review the current arrangement of transferring assets to EDI as the preferred option.
- 1.2 To note that the transformation blueprint assumes the Council's Corporate Property function will transfer to Corporate Operations (previously Corporate Governance) and will be led by a Head of Service. Given the ongoing significant financial pressures (currently £9million pa and increasing in future years) set out in this report, emergency transitional arrangements will be put in place to support and reorganise the function prior to appointing the permanent Head of Service. There will also be a requirement to agree the reconciliation of the respective budgets within the new Corporate Operations and Place directorates prior to any transfer occurring. All roles within the Council's Corporate Property function will consolidate within Corporate Operations.
- 1.3 Given the Capital Coalition's presumption against outsourcing of Council services this report sets out an alternative proposal (Plan B) for delivery of Facilities Management (FM). If the Committee does not approve the Enterprise Wide Strategic Partner Model, as recommended in 1.1.4 above, it is recommended that Plan B is approved in lieu of 1.1.4 as detailed in this report. It should be noted that this is not the preferred option for the following reasons:
- a. The projected annual savings in relation to Facilities Management would be significantly less under Plan B. Deloitte estimate that the annual FM savings by year 2024/25 would be in the region of £2.7million as compared to approximately £6.1million under the Enterprise model, the savings would also be realised later and would not be guaranteed;
 - b. Importantly the net saving over the first four years is only £0.3million if the alternative proposal is adopted;
 - c. In order to deliver the reduced annual savings there would be a requirement for the Council to reduce staff numbers by approximately 250. It should be noted however that this is only an estimate and could increase following detailed work planning and re-design.
 - d. The implementation of Plan B would require additional expenditure in the region of £5.4million to cover additional investment and redundancy costs.
 - e. There are significant risks associated with any alternative proposal that could dilute the annual FM savings even further and/or seriously jeopardise the FM re-organisation as evidenced by previous experience with iPFM.
- 1.4 To note that Phase 1 of AMS Transformation Contract with Deloitte is complete, and agree that the Deputy Chief Executive approves implementation of the Phase 2 of the Transformation Contract in line with the conditions contained therein.

Background

- 2.1 The Council's estate and related activities were reviewed in 2010, with the intention to outsource all Property and FM operations to MITIE under the Alternative Business Model (ABM). This model was rejected at the time and a decision was taken to retain Property and FM services in-house. Following this decision, the Integrated Property and Facilities Management (iPFM) Programme was established. The aim of the Programme was to drive cost efficiency and achieve improved levels of customer satisfaction
- 2.2 The majority of the original savings requirements set as financial objectives for iPFM have not been met. As a consequence, the Corporate Property function currently faces significant and ongoing deficit pressures which will accelerate unless significant change is implemented.
- 2.3 Current forecasts predict property expenditure will exceed the budget by a total of £124million over a 10 year period. Annual deficits will range between £9.2million in year 1 (financial year 2015/16) through to over £14million by year 10.
- 2.4 In March 2015, Deloitte was appointed to prepare an Asset Management Strategy (AMS) business case to support necessary and significant change for property and related services within the Council to establish an affordable and fit for purpose estate.
- 2.5 This AMS business case is now complete and is available in the Transformation Programme AMS data room. The business case demonstrates the financial and non-financial impact of the "do nothing" scenario and presents a wide range of options that have been considered to help achieve the overall objectives of the Transformation Programme. The business case also details the qualitative and quantitative assessment of adopting the proposed recommendations. Numbers have been modelled over a 10 year period in the business case.
- 2.6 The AMS business case is broken down into three core workstreams:
 - **Investment Portfolio Optimisation** – Defines the investment portfolio strategy and outlines the key implementation steps and financial benefits of adopting the proposed strategy.
 - **Estate Rationalisation** - Outlines cost saving proposals to reduce the size of the estate. This takes into consideration the Transformation Programme's organisational redesign which will affect the size, shape and location of the future estate; and
 - **Service Delivery Optimisation** – Evaluates a range of FM service delivery models to generate long term efficiency and cost benefits, whilst achieving service delivery requirements;

- 2.7 The business case also discusses the consolidation of property related budgets and associated resources into Corporate Property from other Council departments and the strengthening of the property management control function.

Main report

Business Case Summary

Investment Portfolio Optimisation

- 3.1 The Council's non-operational investment portfolio consists of 1,124 assets (excluding HRA, Transport and Culture and Sport) with an estimated value of £222.2million. In 2014/5 this generated a net rental income of £11.5million per annum to the Council. As at 1 April 2015, 79% of income was derived from just 50 of these assets.
- 3.2 The AMS business case concludes that the current investment strategy is not clear and has little or no prioritisation. The portfolio is very diverse compared with most investment portfolios and there are a large number of concessionary rental agreements hiding the true costs of awarded subsidies. Deloitte has also identified a need to significantly improve management information and to update software systems to support this.
- 3.3 The business case recommends the implementation of a clear investment strategy to be applied to the existing portfolio and considered for future investment decisions which, if implemented, will result in a smaller, more focused and better performing portfolio. Particular attention is drawn to the movement of concessionary rental agreements to market rents, with complementary budget reallocation where appropriate and approved. Furthermore it recommends the procurement of a new off-the-shelf Estates IMS solution.
- 3.4 In implementing the proposals set out in the business case Deloitte estimates that an increase in income of around £2million can be achieved by year 4 (2018/19).

Estate Rationalisation

- 3.5 This relates to the Council's operational portfolio spanning offices, schools, theatres, museums, care homes, community centres and parks.
- 3.6 Changes in the size and shape of the Council workforce will require a restructured estate to match. The size of the estate footprint is increasing rather than decreasing, and a large proportion of the estate is in poor condition with an increasing backlog of maintenance needs. The business case concludes that the only way to deliver a lower cost, fit-for-purpose and safe estate, whilst meeting the financial saving targets, is to reassess and reprioritise the Council's core portfolio and to also increase the rationalisation of non-office assets. Furthermore the business case concludes that the current arrangements with

EDI and surplus assets are not clear. This could potentially have a significant negative impact on wider capital investment plans for the Council.

- 3.7 To align the portfolio to future footprint requirements and achieve savings through a transition towards a smaller and better quality estate the business case recommends implementing a portfolio restructuring to respond to the emerging Council footprint; reviewing opportunities for rationalisation of non office portfolio through a cross departmental and stakeholder forum; extending modern work practices to encourage flexibility and reduce costs; and establishing a new governance framework for property disposals with particular reference to current disposal arrangements in place with EDI.
- 3.8 In implementing the proposals set out in the business case Deloitte estimate that annual savings in the region of £2million can be achieved by year 4 increasing to approximately £2.5million by year 7.

Service Delivery Optimisation

- 3.9 Service Delivery Optimisation covers hard and soft facilities management services (FM), asset management planning, capital project design and management and attendant support services. Annual costs are approximately £48million with most services delivered in-house.
- 3.10 There are a number of key issues that the business case is seeking to address and these can be broken down into three categories (Commercial/Service Level/Staff Impact).
- 3.11 In the commercial category, annual costs are in excess of industry benchmarks with little access to best practice, Edinburgh Building Services (EBS) is not demonstrating a good level of service or value for money. Cost data and management information is relatively poor and there is a significant under investment in planned and lifecycle maintenance. With regards to service levels there is a decreasing satisfaction with the current service and limited Service Level Agreements are in place. The asset database roll out has been significantly delayed and backlog maintenance is increasing. Furthermore governance processes are not clear or formalised. With regards to staff impacts, the Council has an ageing workforce with very limited development and training opportunities. This limits the opportunity to access best practice techniques and investment.
- 3.12 Five options for Service Delivery Optimisation have been considered by Deloitte in the business case as well as a “do nothing” scenario. The Options considered are:
- Technical Advisor
 - Managing Agent
 - Service Partner
 - Joint Venture

- Enterprise Wide Strategic Partner

3.13 All five options were measured against strategic objectives and critical success criteria set out in the business case. Managing Agent and Enterprise Wide Strategic Partner were shortlisted.

3.14 In the final analysis the Enterprise Wide model scored significantly better. Deloitte also note a number of risks associated with the Managing Agent approach. These include:

- insufficient appetite from the market to engage with the Council in a Managing Agent role at a competitive price;
- the Council not attracting the required calibre of staff from the Managing Agent as these individuals could generate higher revenue for their employers on Total Facility Management contracts elsewhere; and
- savings being realised later than required due to the time it would take to procure a managing agent and reduce staff numbers;

3.15 The estimated savings levels, relative to the Enterprise Wide model, are also insufficient to meet the Council’s programme objectives. The Enterprise Wide model can deliver over 2.5 times the annual financial benefits of any other model set out in the business case. Figure 1 sets out the comparative annual savings of three of the options including Technical Advisor and the two shortlisted options. The Service Partner and Joint Venture models both involved TUPE transfer of operational staff, and scored lower than the Enterprise Wide model in the options appraisal. Neither model was therefore taken forward.

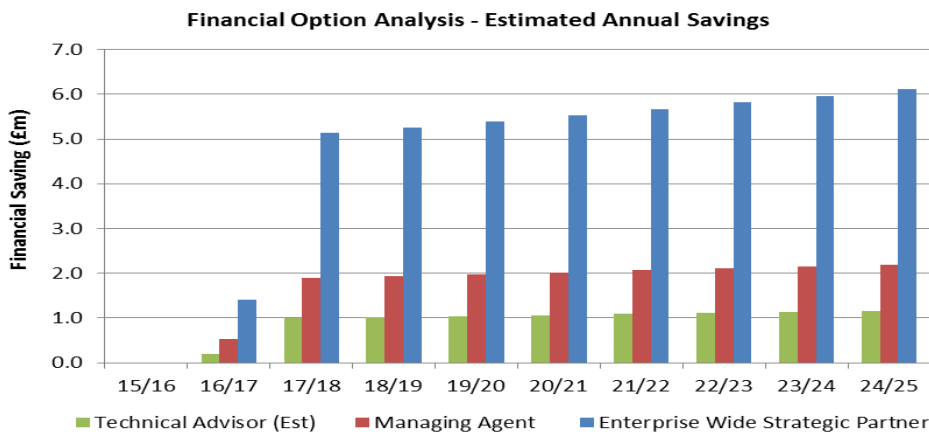


Figure 1 – Financial Option Analysis Annual Savings

3.16 The annualised savings shown above translate into 10 year savings of approximately £9million for the Technical Advisor, £17 million for the Managing Agent and £46million for the Enterprise Wide Strategic Partner. These savings are not net of any restructuring costs such as external advisors fees or redundancy costs.

- 3.17 Deloitte conclude that the Enterprise Wide Strategic Partner model can drive efficiencies more effectively than any of the other models assessed and therefore deliver significantly higher savings. When set against the categories the business case is seeking to address this can be achieved through:

Commercial

- reducing cost of delivery by up to 10% from cross-service synergies and economies of scale;
- joined up responsibility supporting a lifecycle approach if incentivised correctly; and
- driving efficiencies in the management and delivery of services.

Importantly this route to cost savings can be achieved without significant redundancy costs to the Council

Service level

- single accountability for performance; and
- increased levels of investment in service development and energy management in return for greater scope/revenue.

Staff impact

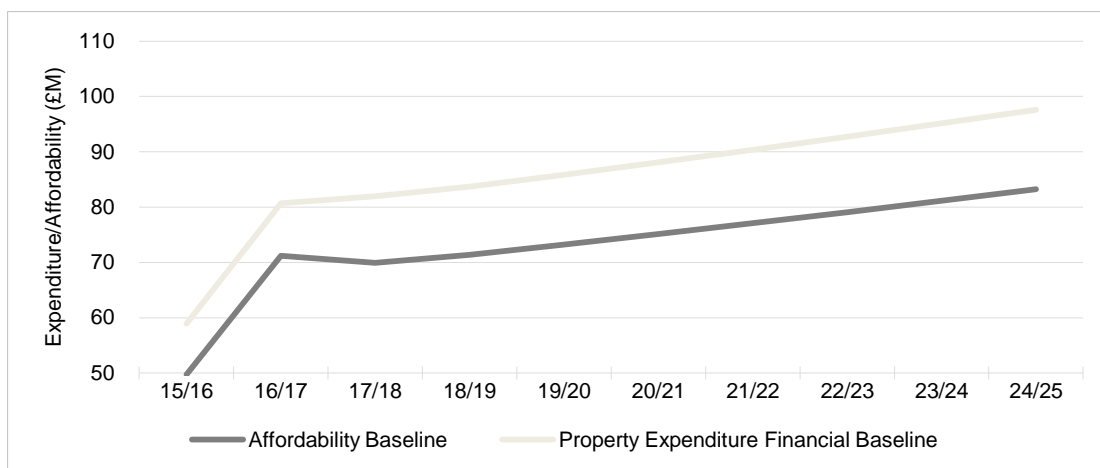
- transferring staff (with TUPE protection) to the supplier, who will develop staff to support their wider operations.

Overall the Enterprise Wide Strategic Partner model best meets the range of Strategic Objectives and Critical Success Factors set out in the business case. On this basis Deloitte recommend that soft market testing should be carried out to confirm market appetite, validate the indicative cost savings outlined in the business case and to confirm the scope of the Partner arrangement including how any future contract may be structured.

Financial Summary

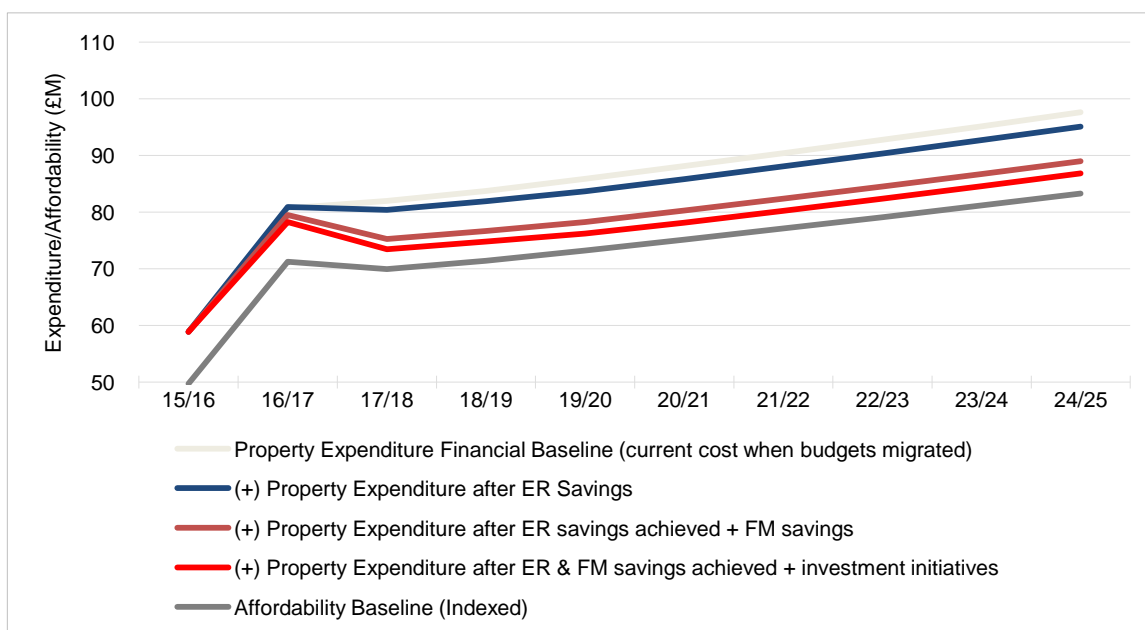
- 3.18 A summary of the Property Expenditure, Income and Capital Financial Baselines are set out in the AMS business case.
- 3.19 The business case demonstrates that property expenditure is forecast to exceed the expenditure budget (affordability baseline) in each financial year up to 2024/25. Unless significant measures are put into effect immediately to help address the current and projected overspend, deficits will continue. This will create further financial pressures on Corporate Property and consequently, will adversely affect service delivery. Figure 2 sets out the profile of the Affordability Baseline against the Property Expenditure Financial Baseline.

Figure 2 – Ten Year Affordability vs Property Expenditure



- 3.20 If all of the initiatives set out in the business case are fully implemented, there would be a significant impact on the projected overspend in Corporate Property. There may also be an opportunity to ringfence a proportion of any savings to fund much needed maintenance of the Council’s operational estate including schools.
- 3.21 The financial benefits of these savings initiatives can be summarised in Figure 3 and the accompanying table below.

Figure 3 – AMS Savings vs Property Expenditure & Affordability Baseline



Estimated savings from AMS initiatives

Financial Year		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Existing Deficit	(£M)	(9.2)	(9.5)	(12.1)	(12.3)	(12.6)	(13.0)	(13.3)	(13.6)	(14.0)	(14.4)
Savings from ER	(£M)	0.1	-0.2	1.6	1.8	2.2	2.3	2.4	2.4	2.5	2.5
Savings from FM	(£M)	0.0	1.4	5.1	5.2	5.4	5.5	5.7	5.8	6.0	6.1
Income from IP	(£M)	0.0	1.3	1.8	1.9	2.1	2.1	2.1	2.1	2.1	2.1
Total AMS Savings	(£M)	0.1	2.4	8.6	8.9	9.7	10.0	10.2	10.4	10.6	10.8
Revised Deficit post AMS initiatives	(£M)	(9.1)	(7.0)	(3.5)	(3.4)	(3.0)	(3.0)	(3.1)	(3.3)	(3.4)	(3.6)

Source: AMS analysis

ER = Estates Rationalisation FM = Service Delivery Optimisation IP = Investment Portfolio Optimisation

3.22 Whilst implementing all the measures set out in the business case would have a significant impact on the projected overspend in Corporate Property, it would still not eradicate the projected deficit. From 2017/18 onwards the Council would still need to fund an annual deficit of between £3million and £3.6million.

3.23 At the Finance and Resources Committee on 15 January 2015 the Capital Coalition Motion in relation to Item No. 7.3, *BOLD Business Cases: delivering a lean and agile Council* notes at point 5 that “the overall transformation programme will be undertaken against the framework of...a presumption against outsourcing of Council services”

3.24 The Enterprise Wide Strategic Partner model does envisage outsourcing Council services and in response to the above Motion the AMS team was asked to provide an alternative proposal that would retain services in-house. This is presented below as “Plan B”. It should be noted however that any alternative to the Enterprise Wide Strategic Partner model will deliver significantly lower annual savings which will only serve to increase the pressure on the deficits set out in the table above.

Alternative Proposal (Plan B)

3.25 Under Plan B Facilities Management is retained in-house and re-built using a combination of Council and external resources provided by Deloitte.

3.26 The Investment Portfolio and Estates Rationalisation strategies set out in the AMS business case would not alter and would be delivered by the in-house team with external support.

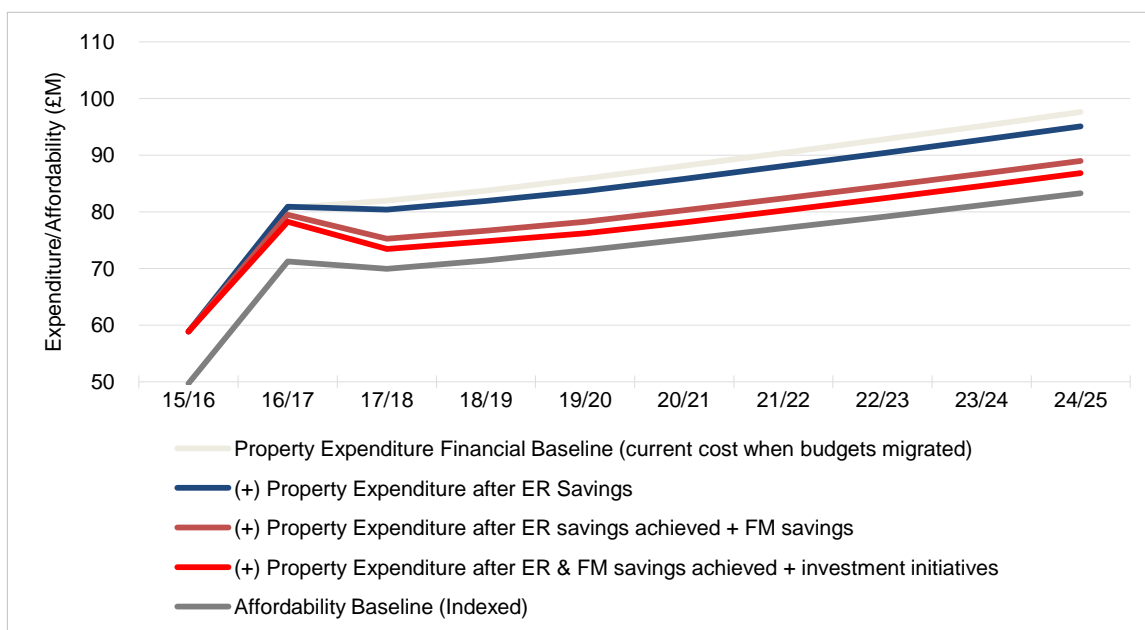
3.27 The Plan B model would involve the rebuilding of the FM business from the bottom up including a full restructuring of the current in-house team. The plan would not require TUPE transfer of staff but redundancies and resources to administer redundancies would be required. Investment in technology, training and new recruitment would also be required and the Council would be

responsible for the performance management of staff and leading negotiations with trade unions during the redundancy programme.

3.28 The projected annual savings in relation to Plan B would be significantly less than the Enterprise Wide Model. Deloitte estimate that the annual savings by year 2024/25 would be in the region of £2.7million for Facilities Management as compared to approximately £6.1million under the Enterprise model.

3.29 The financial implications of adopting Plan B are summarised in Figure 4 and the accompanying table below.

Figure 4 – Plan B Savings vs Property Expenditure & Affordability Baseline



Financial Year		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Existing Deficit	(£M)	-9.2	-9.5	-12.1	-12.3	-12.6	-13	-13.3	-13.6	-14	-14.4
Savings from ER	(£M)	0.1	-0.2	1.6	1.8	2.2	2.3	2.4	2.4	2.5	2.5
Savings from FM	(£M)	-0.4	-0.3	-1.8	2.1	1.9	2.4	2.4	2.6	2.6	2.7
Income from IP	(£M)	0	1.3	1.8	1.9	2.1	2.1	2.1	2.1	2.1	2.1
Total AMS Savings	(£M)	-0.3	0.8	1.6	5.8	6.2	6.8	6.9	7.1	7.2	7.3
Revised Deficit post AMS initiatives	(£M)	-9.5	-8.7	-10.5	-6.5	-6.4	-6.2	-6.4	-6.5	-6.8	-7.1

3.30 Under Plan B there are additional management costs in the early years and savings would be realised later as the in-house team begins to restructure. A comparison of costs are set out later in this paper.

- 3.31 It should also be noted that 100% of the financial saving will be delivered from the point of contract go-live under the Enterprise Wide Model. By comparison Plan B will take a further 12-18 months to deliver any FM financial savings.
- 3.32 A more detailed comparison of the options is set out below.
- 3.33 If a decision is taken to adopt Plan B then consideration needs to be given to a number of operational risks that could significantly reduce any FM savings. These include:
- a. Scale and complexity of challenge – The Council will be rebuilding a 2,000 strong FM business covering aspects such as new service levels and work scheduling through to performance management, training and IT infrastructure;
 - b. Management capability and capacity – FM is not core business and the Council will need to attract and retain specialist managers at a higher cost, this is likely to require working outside current Council salary bands;
 - c. No long term access to market best practice – The Council will need to build this capability within the current team and invest so that it becomes capable of continuous improvement;
 - d. Lack of flexibility in workforce – The Council will need increased freedoms to transform the workforce. These changes will be significant and will include approximately 250 redundancies, changes to shift patterns and a move to flexible working arrangements, changes to some employees current Terms & Conditions and revised pay bands for some management positions;
 - e. Lack of agility in decision making - To ensure decisions are made in a timely manner robust revised governance arrangements will need to be put in place. The Council's senior management team will require a level of delegated authority within parameters agreed with the Finance & Resource Committee;
 - f. Lack of investment to enable funding –Investment will need to be made available to enable change; and
 - g. Lack of track record – iPFM failed to achieve estimated savings or change

Comparison of Enterprise Wide Model and Plan B

- 3.34 The cost to implement the Enterprise Wide Model are estimated to be £2.3million. This is compared with the Plan B implementation costs estimated to be £7.7million.
- 3.35 The two key areas of difference in implementation costs are as follows:
- a. Facilities Management Delivery - The Council will need to create and fund a new training programme for FM staff and implement a new IT system to monitor service levels, work undertaken, costs at a site level and asset

condition. This is currently assumed to be an additional £1.0M but will need further validation.

- b. Redundancy Costs – Under Plan B the Council is not able to redeploy staff onto other contracts and will need to restructure the workforce internally and make redundancies. The current estimated savings assume a reduction of 200-300 staff based on discussions with Management, though further detailed work planning and redesign is required to establish the actual level of redundancy.

3.36 Once the current estimate of implementation costs are deducted from the gross savings Plan B will generate just £0.3M in net savings over the first four years. This is shown in the table below.

PLAN B: Alternative Proposal (£M)

Financial Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Savings	-0.3	0.8	1.6	5.8	6.2	6.8	6.9	7.1	7.2	7.3
Implementation Costs	1.0	3.0	3.7							
Net Saving	-1.3	-2.2	-2.1	5.8	6.2	6.8	6.9	7.1	7.2	7.3
Net Savings Total (4 Year)	0.3									
Net Savings Total (10 Year)	41.8									

3.37 The tables below show that the Alternative Proposal delivers £17.4M less in financial savings over the next four years compared to the Enterprise Wide model. This rises to £37.6million over the 10 year appraisal period which would increase the deficit from £45M to £83M over the same 10 years.

PLAN A: Enterprise Wide (£M)

Financial Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Savings	0.1	2.4	8.6	8.9	9.7	10	10.2	10.4	10.6	10.8
Implementation Costs	0.9	1.4								
Net Saving	-0.8	1.0	8.6	8.9	9.7	10.0	10.2	10.4	10.6	10.8

PLAN B: Alternative Proposal (£M)

Financial Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Savings	-0.3	0.8	1.6	5.8	6.2	6.8	6.9	7.1	7.2	7.3
Implementation Costs	1.0	3.0	3.7							
Net Saving	-1.3	-2.2	-2.1	5.8	6.2	6.8	6.9	7.1	7.2	7.3

Difference	0.4	3.2	10.7	3.1	3.5	3.2	3.3	3.3	3.4	3.5
4 Year Difference (£M)	17.4									
10 Year Difference (£M)	37.6									

Conclusions

3.38 There is clearly a need to implement measures in relation to the Council's estate and estate related activities and the proposals set out in the attached business case will deliver significant annual savings. The Enterprise Wide Strategic Partner model delivers significantly greater benefits than any other service

delivery model and accounts for over 50% of the annual savings projected by Deloitte.

- 3.39 Despite this, an alternative FM delivery model has also been considered in response to the Council's a presumption against outsourcing of Council services. This is not the preferred solution for the reasons set out above and would reduce the potential annual savings significantly while requiring additional expenditure in the region of £5.4million. Importantly the net saving over the first four years is only £0.3million.
- 3.40 This needs to be considered against a backdrop of the Council still having to fund an annual deficit of up to £3.6million even after all the measures proposed in the business case have been implemented. There are also significant risks associated with any alternative proposal that could dilute the annual FM savings even further or indeed lead to failure of the FM re-organisation as evidenced by previous experience with iPFM.
- 3.41 In support of the proposals set out in this report Deloitte will need to be retained to either assist in the delivery of the proposals set out in the AMS business case or to assist with implementing Plan B. Deloitte was appointed as successful bidder under a Consultancy One Multi-Specialism Project Delivery Framework Agreement contract following a competitive, quality and outcomes-evaluated tender process, through delegated authority from the Convenor and Vice-convenor of the Finance and Resources Committee and the Director of Corporate Governance, in April 2015.

The contract comprised two sequential phases:

Phase 1 – Development of plans into a business case

Phase 2 – Implementation of those plans which were successful in progressing through the initiatives, once approved by the Council boards as appropriate.

Deloitte can therefore be engaged immediately to begin delivery and delegated approval is requested in this report under the existing agreement for Deloitte to deliver the Implementation Phase.

Measures of success

- 4.1 The business case has identified significant financial and non-financial benefits associated with the asset management and Corporate Property function that are in line with the wider objectives of the Council's Transformation Programme.

Financial impact

- 5.1 The Council's Corporate Property function will transfer to Corporate Operations (previously Corporate Governance) and will be led by a Head of Service. Given the ongoing significant financial pressures (currently £9million pa and increasing

in future years) set out in this report, emergency transitional arrangements will be put in place to support and reorganise the function prior to appointing the permanent Head of Service. There will also be a requirement to agree the reconciliation of the respective budgets within the new Corporate Operations and Place directorates prior to any transfer occurring. All roles within the Council's Corporate Property function will consolidate within Corporate Operations.

- 5.2 Whilst implementing all the measures set out in the business case would have a significant impact on the projected overspend in Corporate Property it would still not eradicate the projected deficit. From 2017/18 onwards the Council would still need to fund an annual deficit of between £3million and £3.6million.
- 5.3 There are external implementation costs associated with delivering the AMS business case and these are set out in this report.

Risk, policy, compliance and governance impact

- 6.1 Recommendations in Deloitte business case are not approved leading to significantly reduced annual savings.
- 6.2 Procurement of the Enterprise Wide Strategic Partner is delayed and financial savings are not realised in line with the projections set out in the business case.
- 6.3 Implementation of the Estates Rationalisation and/or the Investment Portfolio Optimisation cannot be delivered in the timescales envisaged due to stakeholder resistance.
- 6.4 Additional financial pressures are brought to bear, for example, implementing the revenue backlog maintenance and addressing any health and safety issues.

Equalities impact

- 7.1 The contents and proposals of this report have been assessed with respect to the Equality Act 2010 public sector equality duty. In this regard, an equality and rights impact assessment has been initiated, and initial findings have indicated:
 - 1. Reducing property costs, specifically the proposal to identify an enterprise wide strategic partner, will enable greater savings to be realised, which in turn will enable more effective protection of frontline services to vulnerable citizens, and meeting demographic pressures.
 - 2. Projects exploring the feasibility of asset transfer to community groups could empower communities, particularly those in deprived communities.
 - 3. Any impacts on employment conditions as a result of different service delivery models will be assessed further through the impact assessment process.

4. Any changes to concessionary lets to third sector and community groups, and consequent impacts, could be managed through the grants and contracts process.
5. Co-location opportunities, if delivered, could improve and simplify access to council and partner services, especially those individuals or families who require multiple services.
6. Proposals to improve the coordination of asset management, and to drive forward property rationalisation, should lead to improvements in physical accessibility at council premises.

Sustainability impact

- 8.1 The contents and proposals contained in this report have been assessed with respect to the Climate Change (Scotland) Act 2009. In this regard, a sustainability, adaptation and mitigation impact assessment has been initiated, and initial findings have indicated:
1. A need to further improve energy efficiency within council buildings in order to tackle green house gas emissions, and to save money on energy costs and carbon taxes.
 2. A need to further improve internal waste reduction measures within council buildings, linked to the council's wider waste minimisation strategy. Such improvements will lead to savings being released from landfill taxes and carbon taxes, and will militate against greenhouse gas emission which emanate from landfill.
 3. Opportunities to minimise staff travel through smarter working and co-location across the council's estate should save the council money on transport costs, carbon taxes and will militate against greenhouse gas emissions.
 4. Any future facility management service delivery models would need to take cognisance of the 'Food for Life' and 'Soil Association' accreditation projects to ensure the food provided in council premises was sustainable, sourced locally and seasonal.

Consultation and engagement

Corporate Leadership Group – 5 August 2015

Capital Coalition – 10 August 2015

Capital Coalition Working Group – w/c 24 August 2015

Background reading/external references

[Item 8.2 - Council Transformation Programme: Status Report - 25th June, City of Edinburgh Council](#)

Alastair Maclean

Deputy Chief Executive

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric

Appendices

Finance and Resources Committee

10.00am, Thursday 24 September 2015

2016/20 revenue and capital budget framework

Item number	7.3
Report number	
Executive/routine	
Wards	

Executive summary

Following an extensive period of discussion and elected member consideration, the Capital Coalition has developed a range of proposals comprising the budget framework to form the basis of public engagement. The framework brings together savings from both the transformation and service prioritisation programmes in an integrated plan, setting out how resources available for investment in frontline service priorities will be maximised.

The framework reaffirms the previous requirement to identify at least £107m of recurring annual savings by 2019/20, with the opportunity also taken to provide a sustainable means of addressing expenditure pressures in the Health and Social Care and Corporate Property service areas. A range of proposals to bridge these gaps spanning both the transformation programme and service prioritisation workstreams is set out.

Based on projections of total resources available and assuming approval by Council, the net level of proposals identified would be sufficient to set a balanced budget in each of the first three years of the framework but with a remaining gap in 2019/20 which will require the identification of additional savings proposals once the Council's revised operating model has bedded in.

2016/20 revenue and capital budget framework

Recommendations

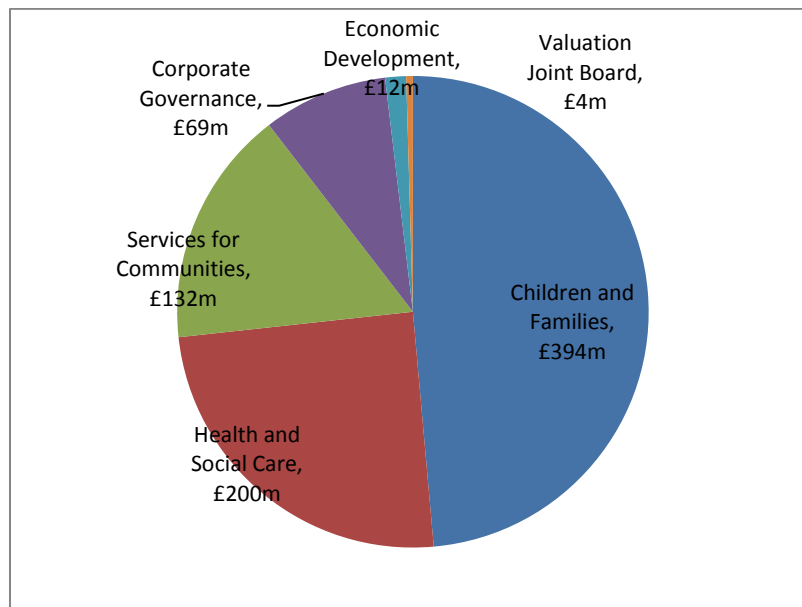
- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the contents of this report in the context of considering the Council's revenue and capital budget framework;
 - 1.1.2 note that the total value of the officer proposals set out in this report provides the potential for a balanced revenue budget to be set;
 - 1.1.3 approve the issuing for public engagement of the proposals listed in Appendix 1;
 - 1.1.4 note the potential additional capital receipts of £7.9m that may be realised over the period of 2015/20 Capital Investment Programme and the proposal that these be split equally between (i) supplementing planned repairs and maintenance spend through use of the Capital Fund and (ii) providing additional capital investment for priority areas;
 - 1.1.5 authorise Executive Directors to take forward detailed planning and development of the savings proposals contained within the budget framework including, where relevant to a savings proposal, planning, development and consultation in accordance with the Council's Organisational Review procedure;
 - 1.1.6 note that additional details of the officer proposals to address the savings requirements for the Business and Support Services (BSS) and Citizens and Localities (C&L) workstreams will be brought back to the Committee during the public engagement period; and
 - 1.1.7 recognise that the budget framework includes a number of proposals that are efficiency-related or not otherwise considered material decisions requiring to be the subject of public engagement and thus refer this report to Council on 22 October to approve the savings set out in Appendix 2.

Background

Revenue budget and Long-Term Financial Plan overview

- 2.1 As has been documented in a number of previous reports, setting the annual revenue budget requires increasingly-difficult choices to be made in reconciling rising demand and increasing costs of providing services with real-terms reductions in available funding.
- 2.2 Despite this, the Council's approved revenue budget, at some £975m in 2015/16, remains substantial and provides an on-going opportunity to invest in

citizens', and the city's, priorities. Within this, £19m relates to corporate, centrally-held budgets, £119m to loan charges associated with servicing debt for expenditure through the capital programme and £26m to monies provided through the Local Government Finance Settlement for the Council Tax Reduction Scheme (CTRS). The remaining £811m is spent on a diverse range of services. The chart below shows how budgets are distributed across the current key service areas:



- Children and Families includes the provision of nursery, primary, secondary and special school education and care of vulnerable children;
- Corporate Governance includes culture and sport and the costs of the Council's governance arrangements and other corporate systems;
- Economic Development includes supporting inward investment and helping unemployed people into work or learning;
- Health and Social Care includes services for older people and adults with physical and learning disabilities, mental health services and criminal justice services; and
- Services for Communities includes waste services, parks, libraries, roads, transport and parking, homelessness prevention and planning services.

2.3 The overall savings requirement in any given year need is a complex product of the difference between the financial impact of the increased need to spend (primarily due to inflationary, demographic and legislative factors) and changes in available resources through grant funding, Non-Domestic Rates, Council Tax and fees and charges.

- 2.4 As members will be aware, the Council is one of relatively few in Scotland to make explicit provision for the costs of demographic change in its budget, with an additional £9.8m allocated within the Long-Term Financial Plan in 2015/16. Following Committee's approval in June to increase by £2.1m the level of demographic-related funding included within the budget baseline (in turn reflecting further pressures identified within the Children and Families service over and above previous estimates), a total of £12.2m of additional provision is now included in the 2016/17 budget, with further sums incorporated in subsequent years.
- 2.5 As noted in subsequent sections of this report, there is a risk that even these sums are insufficient. Given on-going reductions in overall funding availability, however, there remains a more fundamental need to consider the affordability of this strategy, and wherever possible, re-direct funding towards transformational and / or more preventative approaches to manage rising demand more effectively. This management of demand relates to all services but is particularly important as part of re-establishing financial sustainability within the Health and Social Care service.
- 2.6 The long-term financial plan also continues to include sums for the impact of inflation on provision of the Council's services, whether directly through pay awards or indirectly through increases in energy costs, non-domestic rates or contractual uplifts. The combined additional cost of these factors in 2015/16 alone is £13m and the incremental level of pressure is expected to increase in the medium-term as inflation rates move towards the Office for Budgetary Responsibility's 2% target.
- 2.7 The combination of an anticipated cash-terms reduction in grant funding, continuing demographic-led demand and changes in pensions-related legislation (resulting in the loss of the current contracted-out employer's National Insurance rebate from April 2016, increasing the Council's annual staffing costs by some £10m) make the position for 2016/17 particularly challenging; net savings of £30m require to be identified before pressures elsewhere in the budget are factored in.

Main report

Revenue budget – overall position

- 3.1 Members of the Committee have received a number of updates in recent months setting out the Council's estimated overall savings requirement over the five-year period from 2015/16 to 2019/20, the most recent of which was included as part of the Council's [Financial Strategy](#) considered by the Finance and Resources Committee on 4 June 2015. This assessment pointed to a requirement, including savings approved as part of setting a balanced budget for 2015/16, to identify at least £107m of recurring annual savings by 2019/20.
- 3.2 With the exception of the formal incorporation of on-going pressures affecting the Health and Social Care and Corporate Property services outlined below, this position remains essentially unchanged and, as such, members' attention is

drawn to the overview of assumptions on both expenditure and income set out within the Financial Strategy and the earlier [Revenue Budget Framework Update](#) considered by the Committee on 13 May 2015.

- 3.3 The need to maintain financial sustainability over the medium- to longer-term is the Council's primary aim. With this in mind, the financial strategy approved in June comprises four distinct elements, namely:
- Controlling overspends within the Health and Social Care and Corporate Property areas and returning them, in due course, to a sustainable financial footing;
 - Implementing and delivering in full the savings approved as part of previous years' budget motions;
 - Implementing, and delivering the savings associated with, the Council's transformation programme; and
 - Delivering the remaining savings requirement through use of service prioritisation, focusing resources on the areas that make the biggest contribution to the Council's, and its citizens', priority outcomes.
- 3.4 Each of these objectives is crucial to developing a sustainable overall plan explicitly linked to delivery of the Council's key outcomes.
- 3.5 The assumptions within the Long-Term Financial Plan (LTFP) are based on the best-available information but nonetheless subject to a number of risks, particularly with regard to funding levels. The UK Government Spending Review will be announced somewhat later than usual on 25 November, meaning that the size of the Scottish Block will not be known until that time.
- 3.6 The Scottish Government then requires to allocate this overall sum, taking into account as appropriate existing and newly-devolved income-raising powers, across the main sectors of health, local and central government. While this will provide the total level of grant funding for local government, this quantum then requires to be allocated amongst authorities according to a complex series of distribution formulae. The output of this process has, in recent years, been subject to a formal checking process by local authority representatives to ensure its accuracy. Taken together, council-specific allocations are therefore unlikely to be confirmed until just before Christmas at the earliest but with the risk that these are not available until early January. While this undoubtedly constitutes a risk, existing assumptions are considered prudent and will be reviewed as soon as the quantum of the Local Government block is confirmed.
- 3.7 The LTFP also assumes that 2016/17 will be the last year of the current Council Tax freeze, reflecting the Scottish Government's previous intimation that the policy would be maintained for its full parliamentary term. Beyond this period, a 3% year-on-year increase is being assumed. The whole area of local taxation is currently the subject of the jointly-chaired Commission on Local Tax

Reform, recommendations from which are anticipated in the autumn. By definition, this makes future years' projections more speculative and, as such, they will be reviewed as additional details of any intended changes become apparent.

- 3.8 A number of other areas are recognised as risks but not explicitly factored in to the Council's overall spending requirements at this time. These are:
- (i) **Demography** – the review of the current level of provision included within the LTFP reported to the Committee in June identified additional potential cumulative pressures of £1.4m/£3.9m/£7.0m, particularly within services currently comprising Children and Families, over the period from 2017/18 to 2019/20 inclusive. At this stage, pending development of more detailed savings proposals to support this level of additional investment, these sums are not reflected in the net saving requirement shown at 3.21 below;
 - (ii) **Local Development Plan** – anticipated running costs of additional infrastructure required as a result of the plan, particularly in Children and Families, have also been identified. These costs, estimated at £3m by 2019/20, are not reflected in the above expenditure projections. There is also a significant risk that the Council will require to support additional borrowing associated with the LDP but, pending greater certainty over the quantum and profile of this requirement, no specific provision is included at this stage;
 - (iii) **City Deal** – the Council may incur additional borrowing costs or require short-term cash flow funding in taking forward the City Deal for the Edinburgh and South East of Scotland Region. Details will be factored in to the plan as the quantum and profile of any requirement become clearer; and
 - (iv) **National Minimum Wage** – following the Chancellor of the Exchequer's announcement of a staged increase in the level of the national minimum wage to £9 per hour by April 2020, initial modelling work has been undertaken. While the direct impact upon the Council is not anticipated to be significant given the current payment of the Living Wage of £7.85 per hour, the annual financial impact in the area of purchased care (where average pay rates are currently below this level) could potentially exceed current levels of provision within the LTFP by around £9m by 2019/20; and
 - (v) **Tram extension** – is it anticipated that a further report with associated cost implications will be presented to Council in October.

As set out later in the report, the framework makes provision, however, for £10m in 2016/17 and £15m from 2017/18 that could be used to make a contribution to some or all of the issues above.

- 3.9 There is also the potential for additional pressures arising from further welfare and/or pension reform to emerge and relevant details will be incorporated once proposals are clarified.

Health and Social Care

- 3.10 Progress in addressing the underlying pressures within the Health and Social Care budget has been the subject of monthly progress reports to the Committee, with the report elsewhere on today's agenda setting out current-year pressures of £16.3m offset by green-assessed mitigating actions of £5.5m. Following the ratification by Council of one-off corporate measures to a total value of £9.8m, the Chief Social Work Officer has, on behalf of the service, been instructed to deliver a further £1m of savings to bring the Council's overall 2015/16 budget position back in to balance.
- 3.11 In acknowledging the financial challenges arising from continuing increases in demand, the budget framework therefore provides an additional £10m to support the service on an on-going basis. This revised level of resourcing, adjusted for net changes arising from provision for pay awards, other inflation, demographic change and applied savings targets, will inform the annual level of resources transferred to the Integrated Joint Board to the Council from April 2016.

Corporate Property

- 3.12 Material pressures are also apparent in the area of Corporate Property, with provision for an additional £10m (gross) therefore incorporated within the framework. In order to address an element of this pressure, it is proposed to apply the majority of the capital receipt generated from the sale of the Atria to pay off debt associated with the building's construction. Any additional receipt beyond that assumed in the financial framework will be available for Council priorities. When compared against rental income foregone, this will reduce the net pressure by £3.5m /£2m/£1m/£1m respectively over the period from 2016/17 to 2019/20. These pressures are both incorporated in the updated cumulative funding gap shown at 3.21 below; the analysis takes as its starting point the assumptions set out in the Council's Budget Strategy considered by the Committee on 4 June.

Transformation Programme

- 3.13 Some £22m of net savings were approved by Council as part of setting the 2015/16 budget in February 2015. Members were provided with a progress update on the various workstreams comprising the transformation programme at the Committee's last meeting on 27 August. Following a review of the content of the framework, both the level and associated timescales for delivery of savings targeted through the Business and Support Services (BSS) and Citizens and Localities (C&L) workstreams have been reviewed, with the net level of savings now assumed in the framework set out below.

Transformation workstream (savings shown on cumulative basis)	Savings 2016/17 £m	Savings 2017/18 £m	Savings 2018/19 £m	Savings 2019/20 £m
Citizens and Localities (15% savings in frontline services and 27% in management by April 2017)	22.7	44.4	44.4	44.4
Business and Support Services (26% overall savings by April 2017; includes Channel Shift)	7.2	18.4	18.9	18.9
Property and Asset Management Strategy (Option B)	(1.5)	(2.8)	5.8	6.2
Payments to Third Parties	2.2	4.4	4.4	4.4
Transformation programme costs	(2.4)	(1.5)	(0.5)	(0.5)
Cumulative savings - Transformation Programme	28.2	62.9	73.0	73.4

- 3.14 The savings now targeted through the review of the services within the scope of the Business and Support Services workstream amount to some 26% by April 2017, with those within the scope of the Citizens and Localities subject to an assumed 27% management and 15% non-management savings requirement over the same period. Realisation of savings on this scale requires a wholesale review of the current range and means of service delivery and, with this in mind, respective Executive Directors are currently examining options for delivery of savings to the level required with a view to bringing these to Committee during the engagement period.
- 3.15 Given the intrinsic link between the underlying rationale of the Channel Shift business case and release of staff from face-to-face customer contact roles, relevant savings have now been integrated alongside those for Business and Support Services. For Payments to Third Parties, the target saving remains 10% of in-scope expenditure and the figure shown above will be kept under review as firm plans are developed across all service areas.
- 3.16 At this stage, it is not possible to quantify the precise impact on staffing resulting from realisation of necessary savings. Given that employee costs represent some 40% of the Council's gross expenditure, however, it is inevitable that the changes will result in fewer posts, albeit these will be partially offset by higher numbers in areas subject to increased, demographic-led demand. Additional details will be provided during the consultation period as part of the update on

identification of specific options to realise savings in the Business and Support Services and Citizens and Localities workstream.

- 3.17 Proposals in respect of the Property and Asset Management Strategy (PAMS) workstream are included elsewhere on today's agenda. The report outlines two potential options for consideration by members but, in the interests of prudence, the budget framework reflects the broad (lower savings) profile of the "Plan B" model at this time, pending confirmation of Council's decision.
- 3.18 In addition to savings proposals developed through the transformation programme, a number of specific options have been developed by officers and these are shown in Appendix 1. Subject to approval of this report's recommendations, the proposals will be the subject of public engagement.
- 3.19 Consideration, delivery and tracking of the subsequent delivery of these savings will be considered as part of the integrated plan. As outlined in the previous transformation programme report on 27 August, this will allow realisation of the required savings to be aligned to the Council's strategic planning framework, simplify execution and increase transparency, with bi-monthly reporting to the Finance and Resources Committee.
- 3.20 The net impact of the changes in expenditure assumptions and savings proposals outlined in this report is summarised in the table below. The framework includes specific provision to recognise that an element of the savings from the transformation programme proposals will likely accrue to the Housing Revenue Account and/or reduce the element of income received by the Council and thus not be admissible against the overall General Fund savings target. In addition, a contingency is included to recognise that, given the scale of savings required, an element of these will not be accepted. The provision may alternatively, or additionally, be used to provide for further investment in key priorities or the risks and potential commitments listed in 3.8.

3.21 Members will note that the framework as set out gives the potential to set a balanced budget for each of the next three years. It is important to emphasise, however, that committing additional expenditure on a recurring basis in 2017/18 will serve only to reduce the level of surplus (or increase the deficit) in subsequent years. Given the paramount importance of sustainability to the Council's budget, any proposals for additional expenditure in 2017/18 should therefore be of a non-recurring nature.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Estimated cumulative funding gap (<i>June 2015</i>)	52.2	66.8	86.1	106.9
Corporate Property deficit (<i>net</i>)	6.5	8.0	9.0	9.0
Health and Social Care deficit	10.0	10.0	10.0	10.0
Updated cumulative funding gap	68.7	84.8	105.1	125.9
Savings approved 2015/16	(22.0)	(22.0)	(22.0)	(22.0)
Additional Income	(8.5)	(9.5)	(10.5)	(11.5)
Reductions in third party spend, including procurable expenditure	(7.8)	(7.8)	(7.3)	(6.8)
Reductions in service expenditure	(7.3)	(7.4)	(7.4)	(7.4)
Transport and utility savings	(0.2)	(0.3)	(0.3)	(0.3)
Workforce savings:				
- Transformation programme savings, net of costs	(28.2)	(62.9)	(73.0)	(73.4)
- Other workforce savings	(5.5)	(6.9)	(6.9)	(6.9)
Remaining cumulative funding gap	(10.7)	(31.9)	(22.2)	(2.3)
Reduced recharges to HRA or other loss of income	0.0	5.0	5.0	5.0
Provision required to offset option approval risk	10.7	15.0	15.0	15.0
Estimated cumulative funding gap/(surplus)	0.0	(11.9)	(2.2)	17.7

3.22 The framework also indicates that the specific proposals, or broad themes, identified to date are insufficient to deliver a balanced budget in the fourth year. It is therefore proposed that members consider inclusion of an efficiency target in 2019/20, recognising that, by that stage, the Council's revised operating model should be established and further opportunities for savings better able to be identified.

Early approval of proposals

3.23 As was the case in last year's equivalent report, a number of the proposals contained within the framework are not anticipated to have either a material impact on financial, reputational or operational risk or on service delivery or performance. These proposals are listed in Appendix 2.

3.24 In order to facilitate the earlier delivery of savings and/or allow necessary planning to proceed, members of the Committee are asked to remit these proposals to Council for approval on 22 October. Additional details of the proposals concerned, including any potential material equalities and rights and carbon impacts, will be made available to elected members in advance of the Council meeting to inform this consideration.

Panmure School

3.25 The use of Panmure School is significantly below budgeted capacity and the Executive Director of Communities and Families would like to investigate alternative methods of delivering this service. Committee is asked to delegate authority to the Executive Director to develop a paper on a consultation process for the re-provision of services at Panmure School. The consultation process which must be followed regarding the closure of a school is prescribed in the Schools (Consultation) (Scotland) Act 2010.

Capital budget

3.26 Council approved the five-year capital programme for the period 2015-2020 in February 2015. At a general level, the ability to commit additional investment over and above that included in the current programme remains difficult due to:

- i. reductions in the level of General Capital Grant;
- ii. the large number of capital receipts underpinning the existing capital programme or approved property rationalisation targets;
- iii. the on-going lack of “headroom” within the revenue budget to support, on a recurring basis, the additional loans charge expenditure linked to additional borrowing. This remains pertinent given the unbalanced overall position for 2019/20.

3.27 At the time of rolling forward the 2015-2020 CIP for approval, the general fund programme was adjusted for current projected capital receipts forecasts underpinning expenditure. The approved 2015-2020 CIP assumes a level of general asset receipts totalling £40.5m.

3.28 At its meeting on the 31 October 2013, Finance and Resources Committee approved that future receipts where either ring-fencing or a 20% allocation to services had not already been agreed would now become a corporate resource to meet future capital expenditure requirements. This remains the current policy applied to capital receipts realisation.

Current assessment of receipts funding the CIP 2015-2020

3.29 The primary sources of funding for capital projects include capital grant provided by the Scottish Government, capital receipts realised from the disposal of surplus assets and borrowing, with corresponding revenue costs to support the loan charges being included in the revenue budget.

- 3.30 At the time of rolling forward the 2015-2020 CIP for approval, the general fund programme was adjusted for current projected capital receipts forecasts underpinning expenditure.
- 3.31 Finance has carried out an exercise with Corporate Property to review these projections, and update them based on current information and market conditions. Members should note that this excludes the projected additional £8m of receipt income generated from the sale of Boroughmuir High School which has been agreed to fund the site acquisition for a long-term solution to rising rolls in South Edinburgh and the re-provision of facilities at Leith Primary School.
- 3.32 It should be noted that final settlement values can differ from projections, with values increasing or decreasing from that originally envisaged based on prevailing market factors at that time. In addition, estimated dates of settlement can be affected by unforeseen and uncontrollable factors moving realisation of sale proceeds from one financial year to another. Overall, the principle upon which monitoring of capital receipts realisation is based, is consideration of the five year horizon of the CIP rather than just the current in-year position.
- 3.33 Based on the principle described above, current projections suggest that over the five year period of the 2015-2020 CIP, sale of general assets will generate additional income over and above that previously budgeted for of approximately £7.9m.
- 3.34 This projection is based on the level of a small number of receipts being higher than originally envisaged, and also due to the identification of additional asset sales not previously factored in to the approved budget level. The majority of additional capital receipt income is likely to be generated in 2016/17.
- 3.35 It is proposed that the current policy on 100% corporate pooling of capital receipts be revised to ring-fence 50% of any additional income, generated over and above that underpinning the current 2015-2020 CIP, for transfer to the Capital Fund. The transfer to Capital Fund would occur on receipt settlement. It is then proposed that these monies be drawn down from the Capital Fund into the repairs and maintenance revenue budget held by Corporate Property. In doing so, there is potential to generate approximately £3.95m of one-off monies over the next five-year period to be spent on revenue repairs and maintenance / health and safety works across the existing Council property estate.
- 3.36 The remaining 50% of any additional receipt income (potentially £3.95m over the next five-year period) generated over and above that underpinning the current 2015-2020 CIP would be pooled corporately for consideration in funding capital investment priorities for the Council. Final settlement of the majority of relevant receipts is expected in future years, so consideration of how any additional monies should be allocated could form part of roll forward updates once missives are concluded and the actual level / timing of receipts is more certain. As with previous budget processes, members will be asked to consider any allocation of additional funding based on assessment of Council wide service priorities and pressures at that time. The potential for the overall level of receipts assumed to underpin the 2015-2020 CIP to be higher than originally

envisaged will be closely monitored and managed by Corporate Property and Finance.

Measures of success

- 4.1 Relevant measures in setting the Council's revenue budget include:
- Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2016/17 and subsequent years to be set as part of a longer-term sustainable framework;
 - Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
 - Subsequent delivery of the approved savings, particularly where these are linked to additional service investment.

Financial impact

- 5.1 Inclusion of any additional revenue investment within the budget framework is contingent upon the development, and subsequent delivery, of corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

Risk, policy, compliance and governance impact

- 6.1 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the anticipated service impacts outlined in the respective budget templates. This process will be further aided by the integration into a single cost reduction plan of savings derived from the respective transformation and service prioritisation programmes.
- 6.2 Recent improvements to the budget monitoring process should also enhance Corporate Leadership Group (CLG) and elected member scrutiny of the management of service pressures and delivery of approved savings.

Equalities impact

- 7.1 As in previous years, those proposals comprising the budget framework will be assessed for their corresponding potential equalities and human rights impacts.
- 7.2 Initial work has been undertaken and a summary of those proposals with the potential for significant impacts will be reported to the Committee's meeting on

29 October. This will additionally allow the combined and cumulative impact of the proposals across the transformation programme to be assessed and reported at that time. The results of these assessments will then be referred to Council to ensure that members pay due regard to them in setting the Council's 2016/17 budget.

Sustainability impact

- 8.1 The proposals comprising the budget framework will also be subject to an assessment of their likely corresponding carbon impacts.
- 8.2 Initial work has been undertaken and a summary of this assessment will be reported to the Committee's meeting on 29 October. As with the equalities impacts, this will allow the combined and cumulative impact of the proposals across the transformation and prioritisation programme to be assessed and reported at that time. The results of these assessments will then be referred to Council to ensure that members pay appropriate regard to them in setting the Council's 2016/17 budget.

Consultation and engagement

- 9.1 As in previous years, draft budget proposals will be the subject to a period of public engagement and consultation, with the feedback received shaping the final budget. In addition, Directors have previously been asked to take explicit account of the priorities of the city's residents as expressed through the budget planner in developing proposals to address residual savings requirements.

Background reading/external references

[CEC Transformation Programme: Progress Update](#), Finance and Resources Committee, 27 August 2015

[Financial Strategy 2015/16 to 2019/20](#), Finance and Resources Committee, 4 June 2015

[Revenue Budget Framework 2016/20](#), Finance and Resources Committee, 13 May 2015

[Council's Budget 2015/16 – Risks and Reserves](#), Finance and Resources Committee, 15 January 2015

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Links

Coalition pledges

Council outcomes CO25 the council has efficient and effective services that deliver on objectives.

Single Outcome Agreement

Appendices

Appendix 1 – Proposals for public engagement

Appendix 2 – Proposals recommended for early approval by Council

BUDGET FRAMEWORK, 2016/17 - 2019/20							
Option Number	Option	Service Area	Division	Savings 2016/17 £m	Savings 2017/18 £m	Savings 2018/19 £m	Savings 2019/20 £m

Additional income							
Inc1	Integrate sports services currently based in Children and Families and Corporate Governance	C&F	Schools and Community Services	0.500	0.500	0.500	0.500
Inc2	Increase in discretionary income - Retail Price Index plus 2%	CW	Council-wide	1.000	2.000	3.000	4.000
Inc3	Increased charges for residential accommodation, telecare and other local authority charges	HSC	Business Services	0.250	0.250	0.250	0.250
Inc4	Increase fee charges for section 109 permits to install pipes and cables in roads and pavements	SfC	Transport	0.016	0.016	0.016	0.016
Inc5	Increase fee for Temporary Traffic Regulation Orders	SfC	Transport	0.054	0.054	0.054	0.054
Inc6	Increase bus station income	SfC	Transport	0.030	0.030	0.030	0.030
Inc7	Review allotment services and increase rents	SfC	Environment	0.021	0.021	0.021	0.021
Inc8	Increase parking permit charges by 5%	SfC	Transport	0.145	0.145	0.145	0.145
Inc9	Increase pay and display charges	SfC	Transport	1.000	1.000	1.000	1.000
Total additional income				3.016	4.016	5.016	6.016

Reductions in third party expenditure							
TP1	Reduce in third party payments for Community Learning and Development services	C&F	Schools & Community Services	0.250	0.250	0.250	0.250
TP2	Reduce grant payment to Festival City Theatre Trust	CG	Culture and Sport	0.100	0.100	0.100	0.100

BUDGET FRAMEWORK, 2016/17 - 2019/20							
Option Number	Option	Service Area	Division	Savings 2016/17 £m	Savings 2017/18 £m	Savings 2018/19 £m	Savings 2019/20 £m
TP3	Reduction in consultant expenditure	CW	Council-wide	2.000	2.000	2.000	2.000
TP4	Review funding arrangements for Winter Festivals	CG	Culture and Sport	0.500	0.500	0.500	0.500
TP5	Additional savings through procurement, including improved contract management	CW	Council wide	1.000	1.000	1.000	1.000
TP6	Review Edinburgh Shared Repairs Service	CG	Corporate Governance	0.500	0.500	0.500	0.500
TP7	Consolidate care and support/care at home pricing levels	HSC	CSWO Branch - Contracts Management Team	0.900	0.900	0.900	0.900
TP8	Reduce spending on block-contracted services by 10%	HSC	CSWO Branch - Contracts Management Team	0.720	0.720	0.720	0.720
TP9	Reduce funding to Police Scotland by a total of £0.5m (includes £0.25m through transformation programme)	SfC	Community Safety	0.250	0.250	0.250	0.250
TP10	Reduce commissioned services - Housing Support (sheltered housing/temporary accommodation)	SfC	Housing and Regeneration	0.500	0.500	0.500	0.500
TP11	Efficiencies in the waste service	SfC	Environment	1.000	1.000	0.500	0.000
TP12	Improve the internal waste haulage service	SfC	Environment	0.030	0.030	0.030	0.030
Total reductions in third party expenditure				7.750	7.750	7.250	6.750

Reductions in service expenditure							
SP1	Renegotiate fees for foster placements for young people aged 18+	C&F	Support to Children and Young People	0.380	0.380	0.380	0.380
SP2	Adoption allowances for young people aged 18+	C&F	Support to Children and Young People	0.077	0.077	0.077	0.077

BUDGET FRAMEWORK, 2016/17 - 2019/20							
Option Number	Option	Service Area	Division	Savings 2016/17 £m	Savings 2017/18 £m	Savings 2018/19 £m	Savings 2019/20 £m
SP3	Review of family and pupil support services	C&F	Support to Children and Young People	0.500	0.500	0.500	0.500
SP4	Greater use of telecare and remodelling Social Care Direct	HSC	Older People's Services	2.000	2.000	2.000	2.000
SP5	Health and Social Care- improve management of service user demand	HSC	Assessment and Care Management	1.300	1.300	1.300	1.300
SP6	Unblock reablement, allowing more people to benefit from improved self-care at lower cost	HSC	Older People's Services	2.000	2.000	2.000	2.000
SP7	Develop local authority trading company and co-operative for care services	HSC	All	0.000	TBC	TBC	TBC
SP8	Reduce gully cleaning service	SfC	Transport	0.110	0.110	0.110	0.110
SP9	New approach to street lighting repairs	SfC	Transport	0.134	0.134	0.134	0.134
SP10	New approach to managing Clarence response service - defect repairs	SfC	Transport	0.185	0.185	0.185	0.185
SP11	Reduce bus stops and shelters maintenance	SfC	Transport	0.025	0.025	0.025	0.025
Total reductions in service expenditure				6.711	6.711	6.711	6.711

Workforce savings							
P1	Prioritise the funding which supports schools in areas of deprivation	C&F	Schools and Community Services	0.118	0.188	0.188	0.188
P2	Change Early Years services	C&F	Schools and Community Services	0.297	0.297	0.297	0.297
P3	Reduce use of employee overtime by 25%	CW	Council-wide	1.667	1.667	1.667	1.667
P4	Reduce use of agency staffing by 20%	CW	Council-wide	2.667	4.000	4.000	4.000
Total workforce savings				4.749	6.152	6.152	6.152

Total - all savings				22.226	24.629	25.129	25.629
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BUDGET FRAMEWORK, 2016/17 - 2019/20							
Option Number	Option	Service Area	Division	Savings 2016/17 £m	Savings 2017/18 £m	Savings 2018/19 £m	Savings 2019/20 £m

Additional income							
EA1	Increase Council Tax collection	CG	Customer Services	0.311	0.311	0.311	0.311
EA2	Increase in Lothian Buses dividend to £6m (£5m now anticipated in 2015/16)	CW	Council-wide	3.000	3.000	3.000	3.000
EA3	Increase in EDI Group dividend	CW	Council-wide	0.500	0.500	0.500	0.500
EA4	Increase funding from external sources	CW	Enterprise and Innovation	0.328	0.328	0.328	0.328
EA5	Begin contribution-based charging for Self-Directed Support and care and support services	HSC	Business Services	0.230	0.230	0.230	0.230
EA6	Increase trade permit income	SfC	Transport	0.100	0.100	0.100	0.100
EA7	Tram advertising income	SfC	Transport	0.500	0.500	0.500	0.500
EA8	Increase Planning and Building Standards application income	SfC	Planning and Building Standards	0.200	0.200	0.200	0.200
EA9	Retain parking income	SfC	Transport	0.300	0.300	0.300	0.300
Total additional income				5.469	5.469	5.469	5.469

Reductions in third party expenditure							
EA10	Prioritise accreditation and memberships	CW	Council wide	0.050	0.050	0.050	0.050
Total reductions in third party expenditure				0.050	0.050	0.050	0.050

Reductions in service expenditure							
EA11	Efficiencies in the revenue implications of infrastructure development	C&F	Resources	0.121	0.171	0.171	0.171
EA12	Balance of Care residual funding	C&F	Support to Children and Young People	0.160	0.160	0.160	0.160
EA13	Savings due to reduced level of adoption allowances required	C&F	Support to Children and Young People	0.100	0.100	0.100	0.100

BUDGET FRAMEWORK, 2016/17 - 2019/20							
Option Number	Option	Service Area	Division	Savings 2016/17 £m	Savings 2017/18 £m	Savings 2018/19 £m	Savings 2019/20 £m
EA14	Uncommitted funding for family based respite care	C&F	Support to Children and Young People	0.085	0.085	0.085	0.085
EA15	Savings from reducing the number of purchased adoptions	C&F	Support to Children and Young People	0.150	0.150	0.150	0.150
Total reductions in service expenditure				0.616	0.666	0.666	0.666

Transport and utility savings							
EA16	Reduce internal transport	SfC		0.150	0.250	0.250	0.250
Total transport and utility savings				0.150	0.250	0.250	0.250

Workforce savings							
EA17	Edinburgh Guarantee	C&F	Schools and Community Services	0.060	0.060	0.060	0.060
EA18	Early Years	C&F	Early Years	0.250	0.250	0.250	0.250
EA19	Conservation costs	C&F	Schools and Community Services	0.250	0.250	0.250	0.250
EA20	Efficiencies from merger of design teams	SfC	Transport	0.143	0.143	0.143	0.143
Total workforce savings				0.703	0.703	0.703	0.703

Total - all savings				6.988	7.138	7.138	7.138
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Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Managing Workforce Change

Item number 7.4
Report number
Executive/routine
Wards

Executive summary

The Council is going through a period of unprecedented change and is required to address a budget shortfall of £126 m whilst at the same time maintaining outcomes for those who use its services.

Through the transformation programme we are re-designing the organisation based upon a locality model designed to make services leaner, more responsive and agile.

Given the size of the challenge, this will inevitably mean that there will be job losses.

We must support people through the reorganisation of our services whilst ensuring the level of savings required is achieved.

The Council has a current policy setting out arrangements for voluntary early release of staff (VERA). The Council also has a current published Redundancy Procedure (dated 2010) that enables termination of employment on grounds of redundancy, first on a voluntary basis and thereafter, following a period of exploring redeployment opportunities, on a compulsory basis.

Organisational change has been managed over the last few years within a voluntary framework, following the coalition pledge, which has meant that the compulsory element of the Council's existing Redundancy Procedure has not been implemented in recent years.

Links

Coalition pledges P27
Council outcomes CO24/CO26/CO27
Single Outcome Agreement

Managing Workforce Change

Recommendations

- 1.1 That Committee notes that it is intended to enter into further dialogue with the Trade Unions over the next 4 weeks, ensuring that they and their members are fully aware of the Council's financial and strategic outlook and thereafter to bring a further report to the meeting of the Finance and Resources (F&R) Committee on Thursday 29 October 2015 that will:-
 - 1.1.1 provide an update on the further dialogue with the Trade Unions;
 - 1.1.2 provide an update on the targeted approach to staff under the current 'Voluntary Early Release Arrangements (VERA)'; and
 - 1.1.3 seek a decision from Committee to allow redundancies on a compulsory basis as a last resort, in line with the procedures set out in the Council's current Redundancy Procedure (2010).

Background

- 2.1 The Council needs to address a budget shortfall of up to £126m over the next 4 years whilst at the same time improving service delivery to those who use our services.
- 2.2 Through the transformation programme we are re-designing the organisation based upon a locality model designed to make services leaner, more responsive and agile. Given the size of the challenge, this will inevitably mean that there will be job losses.

Main Report

- 3.1 The Council has a current policy setting out arrangements for voluntary early release of staff (VERA). The Council also has a current published Redundancy Procedure (dated 2010) that enables termination of employment on grounds of redundancy, first on a voluntary basis and thereafter, following a period of exploring redeployment opportunities, on a compulsory basis.
- 3.2 Organisational change has been managed over the last few years within a voluntary framework, following the coalition pledge, which has meant that the compulsory element of the Council's existing Redundancy Procedure has not been implemented in recent years. Generally this has been manageable given the relatively small scale changes being made.

- 3.3 However, as the pace of change quickens and the need to make savings becomes more urgent, it is apparent that the voluntary arrangements by themselves will not deliver the scale of change required within the timeframes.
- 3.4 There are a growing number of people on the Council's redeployment list, which is costing the Council sums which it can ill afford. As the pace of change takes hold, this approach will continue to drive up costs where people choose not to leave the organisation on a voluntary basis.
- 3.5 In order to achieve the scale of change demanded of the organisation, we now need to reinstate compulsory redundancy, as a last resort, to ensure we can deliver the savings required.
- 3.6 This change of approach will need to be consulted upon with Trade Unions, when we will also continue to review with them the financial terms upon which staff may be required to leave the organisation.
- 3.7 A paper will be brought back to the next meeting of the F&R Committee to update members on the outcome of that process.

Workforce Change Arrangements

- 3.8 Clearly this is a very difficult position for all staff affected by change and it is important that we provide clarity for staff on the options available to them to enable staff to make informed choices for the future that suit their own particular circumstances
- 3.9 It is important that the current arrangements for Voluntary Early Release (VERA) are explored with staff and over the next 4 weeks we will offer staff the opportunity to apply for VERA in line with current agreed arrangements. This will be done on a targeted basis.
- 3.10 It will also be essential to recognise the importance of redeployment opportunities for staff. It is proposed to introduce a new Redeployment Procedure that widens the search for redeployment to include alternative work, including positions outside the Council, through the new Career Transition Service. Further details of the new Redeployment Procedure will be reported to the next meeting of the Committee.
- 3.11 The Career Transition Service will become fully operational in early October and a dedicated suite has been designed at level 7 of 329 High Street.
- 3.12 A range of services will be offered in conjunction with a partner organisation, Right Management, and direct links have been established with government based services, including Job Centre Plus and PACE as well as our own services delivered through Business Gateway.
- 3.13 Over the next 4 weeks, further details of these arrangements and the options available will be communicated to staff.

Measures of success

- 4.1 The Council achieves its cost savings targets and the organisation is redesigned to make our services leaner and more responsive.
- 4.2 Our staff have clarity on the range of options available to them as a result of workforce change and are able to make informed choices.
- 4.3 Our staff are consulted and engaged through the change process.

Financial impact

- 5.1 The Council's reserves strategy and Long Term Financial Plan provide resources towards the cost of managing the workforce change outlined in this report. This position will be kept under regular review.

Risk, policy, compliance and governance impact

- 6.1 The risk of not having a compulsory element to managing workforce reductions is that Council is unable to meet demanding cost savings.

Equalities impact

- 7.1 There will be close monitoring of how the workforce changes are managed and the impact on all staff groups.

Sustainability impact

- 8.1 None.

Consultation and engagement

- 9.1 The Council's transformation programme has been subject to regular and constructive consultation with Trade Unions.
- 9.2 There will be further consultation with the Trade Unions as set out in this report.

Background reading / external references

None.

Alastair Maclean

Deputy Chief Executive

Contact: Martin Glover, Interim Head of HR and OD

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Links

Coalition pledges	P27 - Seek to work in full partnership with Council staff and their representatives
Council outcomes	CO24 - The Council communicates effectively and internally and externally and has an excellent reputation for customer care CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives. CO27 - The Council supports, invests in and develops our people
Single Outcome Agreement	
Appendices	

Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

This report provides Committee with a progress update for Programme Momentum.

Links

Coalition pledges	P40 , P41
Council outcomes	CO7 , CO19
Single Outcome Agreement	SO4

Property Conservation – Programme Momentum Progress Report

Recommendations

- 1.1 Committee is requested:
 - 1.1.1 To note the management information dashboard reports in Appendix 1.
 - 1.1.2 To note the settlement sums authorised to complainants and other affected owners under delegated authority.
 - 1.1.3 To note the progress of debt recovery work.
 - 1.1.4 To note that the pilot of the Edinburgh Shared Repairs Service launches in September 2015.

Background

- 2.1 Programme Momentum has been established as a robust end-to-end process across all workstreams relating to the legacy Statutory Notice issues, including the development of the blueprint for the new enforcement service.
- 2.2 This report gives details of progress to the end of August 2015.

Main report

Progress

- 3.1 Since the beginning of Programme Momentum in June 2014 there has been significant progress by the legacy team across all workstreams. There was £22m of outstanding debt to be billed in July 2014 which has now reduced to £195k. Billing will be concluded this month. The settlements process introduced in April has run successfully with to date 95% of the cases reviewed. Changes made to the customer service area involving a single contact point for all mail, emails and telephone calls has improved the customer experience.

Management information

- 3.2 Management Information as at 25 August 2015 is attached in Appendix 1.

Financial Recovery

Delegated Authority – Irrecoverable Sums & Settlements

- 3.3 The provision for impairment and for settlement repayments is £17.9m.

- 3.4 As at 25 August 2015 a total of £9.9m has been approved for write-off against the provision comprising irrecoverable sums of £6.7m, aged debt of £0.3m and settlements of £2.9m.
- 3.5 The Committee is asked to note the settlement sum of £96k authorised to complainants and other affected owners under delegated authority. The total value of settlements to date is £2.9m.
- 3.6 These sums are contained within the overall Bad Debt and Irrecoverable Sums provision.
- 3.7 The provision remains subject to regular review by the Head of Edinburgh Shared Repairs, the Head of Finance and the Deputy Chief Executive.

Billing Process

- 3.8 As at 25 August 2015, billing on Deloitte reviewed cases has now reached £17.8m with £8.7m received in payments. There are 2 projects with a value of £0.23m (including administration charge) remaining to be invoiced. The current average monthly repayment rate is 59%.
- 3.9 The remaining Work In Progress (WIP) figure is £1.1m which includes Deloitte Project WIP of £0.2m. Billing for Deloitte defect free cases is now complete. Those few remaining cases requiring defect works will be completed in Autumn 2015.

Debt Recovery

- 3.10 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 294 instructions have been issued to Morton Fraser with a total value of £3.1m for debt collection.
- 3.11 Based on the Morton Fraser status report of 24 August 2015 there has been debt settlement by 67 (23%) customers at a value of £0.4m (12%) and instalment arrangements agreed by 28 (9%) customers at a value of £0.3m (10%). This represents an overall total to date of 95 customers (32%) with a total payment commitment of £0.7m (22%).
- 3.12 As at 25 August 2015 the percentage solicitor's costs against sums recovered is 2.1%.
- 3.13 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

Complaint Resolution & Settlements

- 3.14 The settlement process for complainants is due for completion in the coming weeks. 20 cases remain to be closed.

- 3.15 The total number of settlement letters issued to date is 1686 resulting in 1304 individual cases now being closed. Acceptance rates from complainants are 55% and other affected owners are 58%.

New Service update

Pilot

- 3.16 The pilot for the new service will run between September 2015 and March 2016.
- 3.17 The purpose of the pilot is to test parts of the practice and procedures designed by Deloitte for implementation in to the new service ahead of the launch in April 2016. The four service areas are:-
- Customer contact
 - Intervention
 - Enforcement
 - Finance
- 3.18 The implementation of the pilot has been on-going with input into the procedures from technical, legal, financial, customer services and I.T staff and consultants. Staff training was completed by end August ready for pilot launch in September.

Pilot Cases

- 3.19 Intervention service - A number of pre-selected cases have been considered and included in the pilot. At present the service will include 9 cases in the intervention side of the service. The degree to which case officers and property owners can arrange defect repairs with their neighbours to organise the works privately will determine how many of these case reach the enforcement stage. Those cases brought to the service are in general related to defects in roofing.
- 3.20 Enforcement service – One outstanding repairs project has been considered and included in the pilot. This tenement property had reported falling masonry in July 2011. Under an emergency statutory notice, the Council erected safety scaffolding. Over the period from 2012 to date, the property owners have been in dialogue with the Council in respect of their efforts to arrange the works privately and their subsequent request for Council intervention.
- 3.21 This project is being progressed on behalf of owners and is currently in the pre-contract phase. This is a major repair project with an estimated value of £250,000. The defects are numerous and include structural works, stonework repairs, flat roof replacement and slate roofing repairs.

New Edinburgh Shared Repair Service launch

- 3.22 Throughout the pilot period, the process, as used by the Service, will be tested and reflected upon for appropriate alteration. Two areas of the service being progressed throughout the period of the pilot are procurement and recruitment. The procurement strategy has been agreed by the programme board and is an

on-going workstream. The framework contract is programmed to be in place by July 2016. Recruitment of technical resource is currently on-going.

Measures of success

- 4.1 Conclusion of reviewing statutory notice projects.
- 4.2 Billing and collection of outstanding debt.
- 4.3 Resolution of complaints.
- 4.4 Launch of new replacement enforcement service.

Financial impact

- 5.1 Significant financial issues with a collective value of over £30 million require to be concluded and resolved.
- 5.2 On 19 March 2015, following the decision to make available a budget for 2015/16 of £1.5 million, the Finance and Resources Committee considered a report on the revised implementation plan for the new Shared Repairs Service. Committee approved option 1 which proposes launching the service on a pilot basis from 1 September 2015, with the full launch scheduled for late March 2016.
- 5.3 The overall 2015/16 available budget for the legacy and new Edinburgh Shared Repairs Service is £3.6 million.

Risk, policy, compliance and governance impact

- 6.1 This area of work represents a significant financial and reputational risk for the Council.

Equalities impact

- 7.1 There is no equalities impact arising from this report.

Sustainability impact

- 8.1 There is no adverse environmental impact arising from this report.

Consultation and engagement

- 9.1 Not applicable.

Background reading/external references

[Report to Finance and Resources Committee, 19 March 2015 -Property Conservation - Programme Momentum Progress Report](#)

[Report to City of Edinburgh Council, 12 February 2015, Shared Repairs Services - Development of a New Service.](#)

[Report to City of Edinburgh Council 11 December 2014, Shared Repairs Services - Development of a New Service -](#)

Alastair Maclean

Deputy Chief Executive

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Links

Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city’s built heritage P41 – Take firm action to resolve issues surrounding the Council’s Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	Appendix 1: Management Information Dashboards



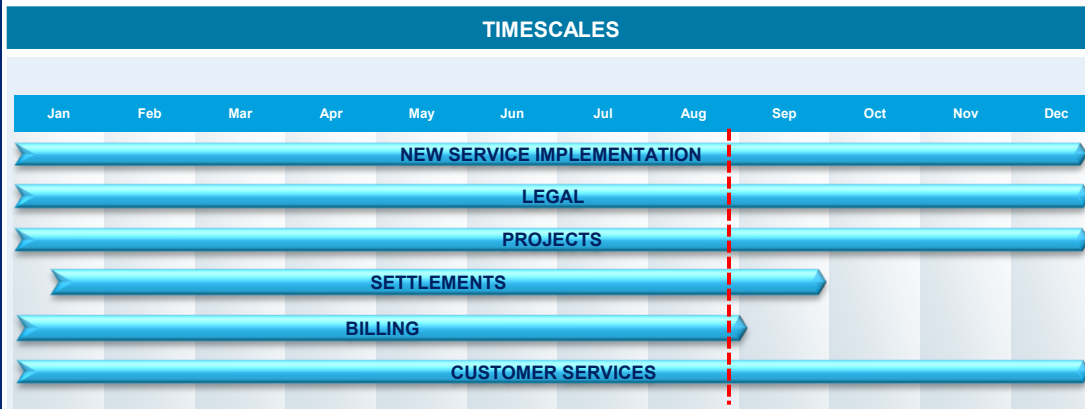
Programme Momentum Dashboard August 2015

Monthly progress update (for reporting purposes month end is 25 August)



OVERVIEW OF PROGRESS

The legacy service continues to draw to a close in respect of billing, projects and settlements. There remains a high level of customer service contact as the final cases are released for billing. In addition, there remains a high value of debt to recover, both independently assessed cases and historic legacy cases. Progress is being made in key areas for the pilot of the new service in September 2015 with the full launch in March 2016. The main risks to the launch of the New Edinburgh Shared Repairs Service are in relation to budget pressures which impact upon recruitment and ICT development. Work is also ongoing to complete the policy, procedures and performance measures for the new service.



TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Additional provisions have been made through the appointment of Morton Fraser	Yellow
2. Budget Provision	Ongoing discussion with Corporate Finance in relation to the budget provision for the new service and the closure of the legacy service	Red
3. Bad Debt Provision	The provision has been increased and will continue to be monitored and reported monthly.	Red
4. Settlement Process	Settlement process underway but reputational and financial risk remains high.	Yellow
5. IT Systems	Alternative IT approach approved at July Board. Addressing IT activity underway to improve systems ahead of new service launch.	Red
6. Procurement	Recommended Procurement strategy to be presented to August Board.	Yellow

OVERALL STATUS	RAG	COMMENTS
Customer services	Yellow	Complaints decreasing but Councillor enquiries and FOI requests remain high
Billing	Green	2 cases remain to be billed and are on target for completion within reported timescales
Legal	Red	Steady increase in the number of cases requiring legal action and in numbers being resolved.
Case Reviews and Settlements	Yellow	All Momentum cases are completed. Additional cases commenced. Settlement process implemented
New service	Yellow	Implementation activities have commenced. ICT functionality, Procurement and Recruitment provision remain the key risks

INFORMATION / DECISIONS
1. Ongoing legacy closure and new service progress report
2. Impact of budgetary provision for 2015-17 a key risk
3. ICT Development and Procurement Strategy paper considered by Programme Board in August

KEY PLANNED ACTIVITIES
1. Bidders day planned to test market interest on Contractor Framework
2. Develop new service governance, policy and performance framework
3. Begin training and finalise pilot projects
4. Client and performance management of debt recovery partnership
5. Continued focus on billing and settlements activities





Settlements

Programme dashboard as at 25 August 2015



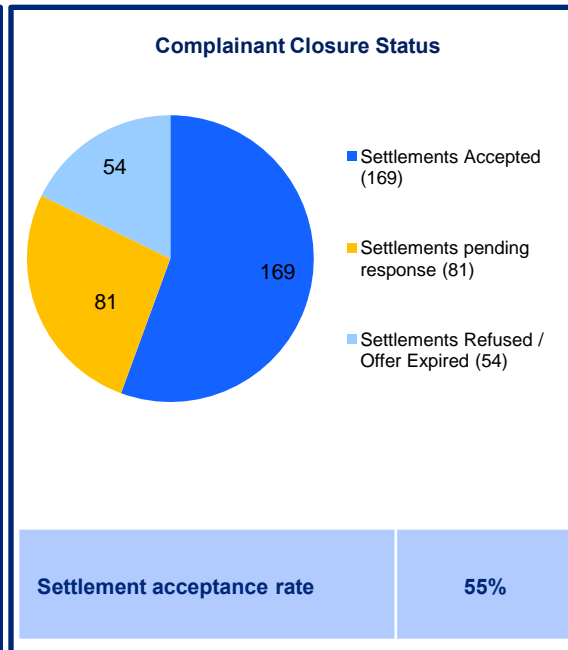
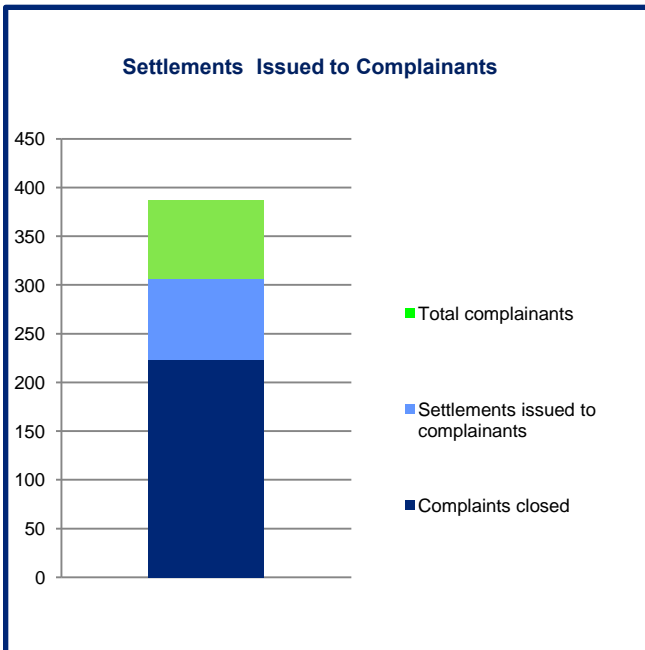
Progress

The settlement process for complainants remains on target to be completed by Summer 2015, subject to an additional 1 case anticipated from Deloitte in September 2015. Closure in respect 73% of all settlement cases has now been reached, with more than 80% of all complainants issued with settlement. Acceptance rates from complainants are at 55%. Settlements to other affected owners are progressing with settlements communicated to 1,686 owners. Settlements to all other affected owners is anticipated to be complete by Autumn 2015.

Complex Complaints Case Reviews & Settlements

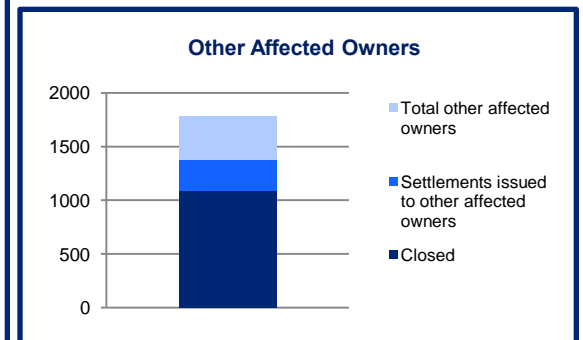


Settlement Status



Settlement Value

Total Value of projects reviewed	£8.969m
Total settlements approved under delegated authority	£2.906m
Settlements paid/credited to date	£2,141m





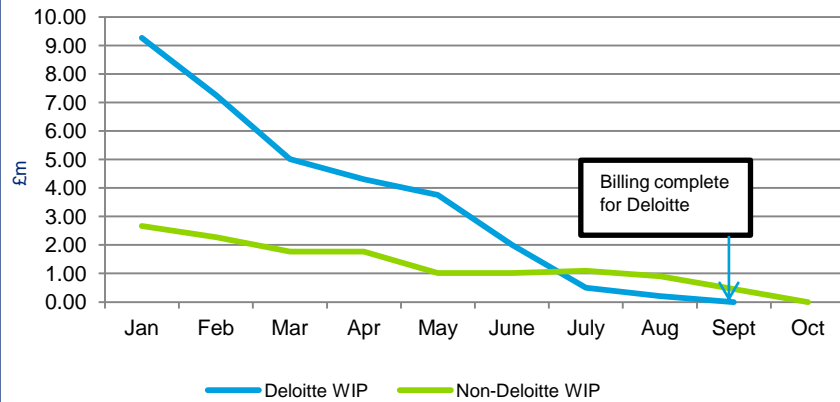
Finance

Programme dashboard as at 25 August 2015

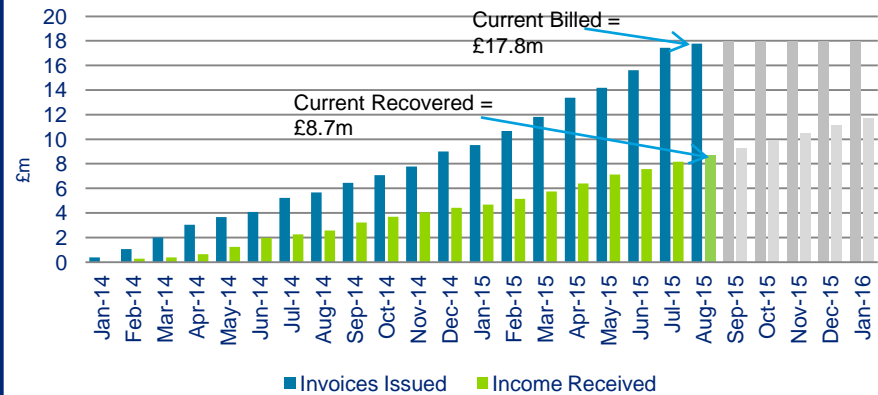
Progress

Billing on Deloitte reviewed (Project Joule) cases has now reached £17.8m with £8.7m received. As at 25 August 2015 there are 2 projects, requiring defect works, with a value of £0.2m (including administration charge) remaining to be invoiced. The remaining Work In Progress (WIP) figure is £1.1m which includes Deloitte Project WIP of £0.2m and Non Deloitte (Legacy) WIP of £0.9m. Billing for the 2 remaining Project Joule projects is scheduled for September 2015. Impairments approved to date is £9.9m against the provision of £17.9m.

Work in Progress



Projection of Deloitte approved Statutory Notice repair debt



15/16 Budget Requirements

	Budget 2015/2016 £'000	Budget to 31/07/15 £'000	Spend to 31/07/15 £'000	Variance to 31/07/15 £'000
Closure Programme & Defect Remedy Costs	2,103	791	448	-343
New Enforcement Service (implementation and pilot launch from 01/09/2015)	1,400	259	291	32
Shared Repairs Service(part year to 31 August 2015)	138	122	126	4
TOTAL BUDGET 2015/2016	3,641	1,172	865	-307



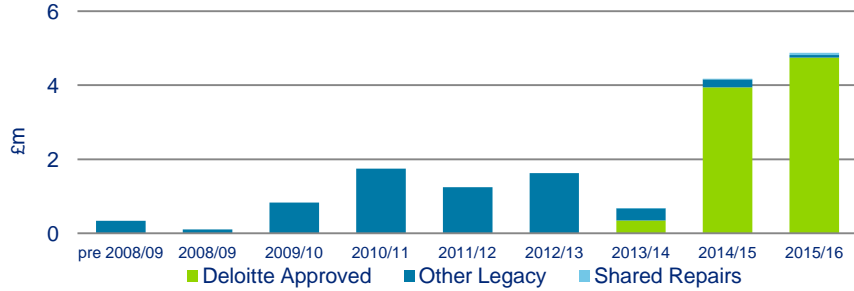
Debt Recovery

Programme dashboard as at 25 August 2015

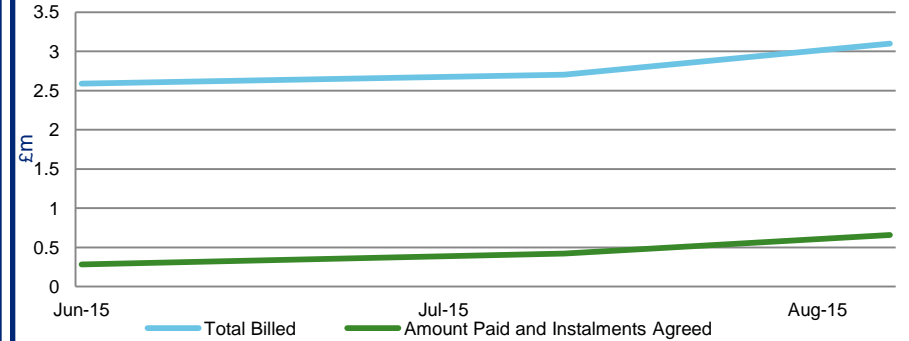
Progress

The total debt outstanding of £15.6m for both Deloitte Reviewed, and Legacy and Shared Repairs, whilst reducing, remains an issue. Of this debt sum, a total of £10.7m is being pursued through active billing. Morton Fraser recovery or other legal collection. The remaining debt of £4.9m is either being prepared for legal action or suspended debt and includes a sum of £4.3m for outstanding legacy debt of which £3.7m is suspended debt. There is £1.7m debt arranged for payment through instalment plans.

Aged Debt at 24 August by year



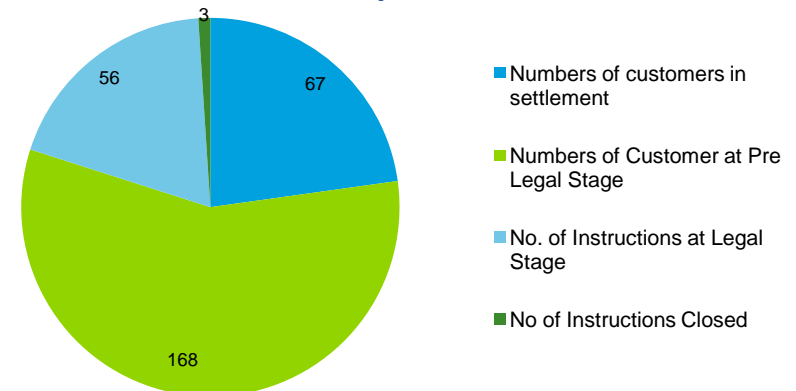
Morton Fraser Recovery Rate



Debt Status	Deloitte Reviewed	Legacy and Shared Repairs	Total
Total debt being pursued	£8,422,698	£2,331,409	£10,754,107
Total debt scheduled for action	£612,732	£4,257,644	£4,870,376
Total Debt	£9,035,430	£6,589,053	£15,624,483
Instalment plans agreed within debt total	£1,312,280	£394,729	£1,707,009

Morton Fraser Debt Recovery Cases pursued by the Council	June	July	August
Total debt recovery cases pursued by Morton Fraser	212	233	294
Total value of instructions issued	£2.6m	£2.7m	£3.1m
Total debtors settled or in payment plan	42	62	67
Total sum recovered or in payment plan	£0.3m	£0.5m	£0.7m
Total sum recovered of in payment plan as % of debt	11%	17%	21%

Debt Recovery Overview





Legal Claims

Programme dashboard as at 25 August 2015



Progress

There continues to be no live court cases raised against the Council by owners. The last case was resolved in the Council's favour in June 2015.

Legal claims raised against the Council	Apr 14 – Aug 15
Total claims raised against the Council	5
Total claims resolved to date	5
Settlement payment by Council to owner	4
Court judgement for the Council	1
Court judgement against the Council	0



Customer Services

Programme dashboard as at 25 August 2015

Progress

Customer Services has seen a further increase in volumes in enquires compared to previous months.

Solicitor enquiries remain at a high level.

FOI enquiries have increased again during August to 30 from a low of 16 in July. The nature and complexity of FOI requests have also increased this year.

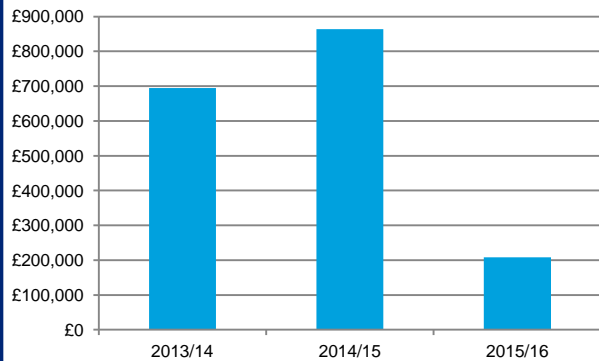
Customer Services	Jun 15	Jul 15	Aug 15
No. of customer enquiries received	655	543	849
No. of customer enquiries closed	697	627	901
No. of Solicitor enquiries	784	707	729
No. of customer complaints received	23	10	22
No of customer complaints closed	20	14	17
No. of FOI's received	42	16	30



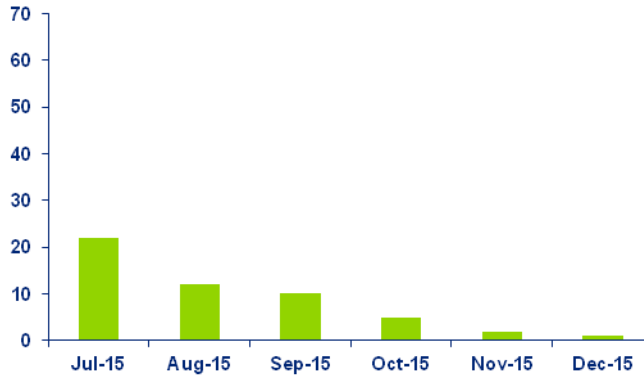
Projects

Programme dashboard as at 25 August 2015

Project Costs Incurred by the Council each year



Future Activity on Projects



Progress

Thomson Bethune continue to provide technical support to the programme including site surveys and reports, together with liaison with consultants and owners to bring cases to a close.

Projects are due to be completed by the end of 2015.



Shared repairs

Programme dashboard as at 25 August 2015

SHARED REPAIRS KPI	Jun 15	Jul 15	Aug 15	Trend
No of requests for advice/ info only.	260	250	186	↓
No. of service requests	97	98	100	↑
No of emergency repair inspections resulting in statutory notices issued	67	69	65	↓
No. of Emergency service requests where information/ advice was provided	30	29	35	↑
Value of invoices issued to owners for emergency repairs (cumulative)	£633,175	£665,050	£693,010	↑
Value of income received from owners for emergency repairs (cumulative)	£534,463	£564,906	£587,618	↑

Progress

- The number of requests for advice has reduced by 26%
- The number of requests for service has increased by 2%.
- For invoices issued prior to the end of March 2015, the collection rates are 89% for Shared Repairs.

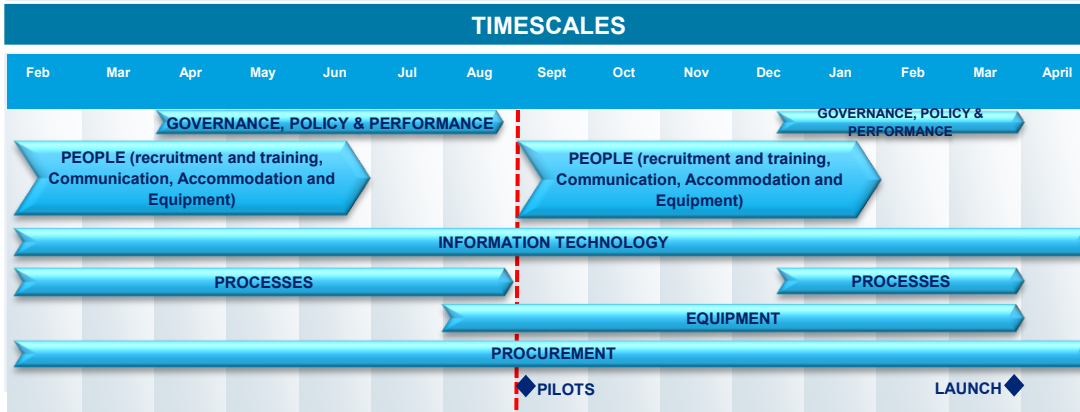


New Service

Programme dashboard as at 31 August 2015

OVERVIEW OF PROGRESS

The project remains on course to deliver within timetable and budget, and the continued focus during August has been preparation for the Pilot phase of the project. The procedure manuals are now in final draft for testing during this phase, and training has been undertaken for Customer Contact, Intervention, Enforcement and Finance services. The focus for the IT workstream has been development of an interim database to support, track and report on the Pilot projects. The draft Procurement Strategy was approved by the Programme Board and work has continued with Corporate Procurement to prepare for the tender process. The advert for Surveying staff has closed and a shortlist of candidates has been identified for interview during week commencing 7 September. The draft Governance, Policy and Performance framework was noted by the Programme Board on 10 August.

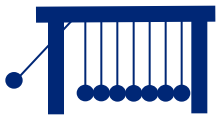


TOP RISKS	MITIGATION	RAG
1. Unable to deliver against blueprint due to budget pressures	Recruitment profile and ICT spend have been changed to fit the new budget allocation. Updated costed business plan to be presented to October Programme Board.	Red
2. New IT functionality not in place for full service launch	Alternative IT approach approved by Board in July. Interim IT activity to be undertaken to improve legacy systems and reporting ahead of new service launch.	Red
3. Implementation Project team inadequately resourced to deliver project	Implementation Manager and Project Officer post advertised to redeployment list and wider Council. Applicants to be confirmed and interviews held.	Yellow
4. Market interest in Contractor Framework is low	Soft market testing demonstrated market interest, however bidder's day on 8 October will test interest further. Recommended Procurement Strategy approved by Programme Board.	Yellow
5. Unable to secure technical resource due to recruitment and budget issues	Shortlist of Surveyor candidates identified and interviews to be held week commencing 7 September. Option to co-source to be revisited under new budget constraints	Yellow

OVERALL STATUS	RAG	COMMENTS
Governance, Policy & Performance	Yellow	Draft Governance, Policy and Performance framework noted by Programme Board – updated list submitted for approval. Performance and Policy elements to be tested during the Pilot phase.
People	Yellow	Recruitment of Surveyors at interview stage. The pilot will facilitate a review of remaining recruitment requirements in line with demand and within the remaining budget. SRS Service Review to be signed off and communicated by December.
IT	Yellow	New IT approach approved at July Board. Detailed plan and resource requirements to be reviewed by the Implementation Panel.
Processes	Green	Draft procedure manuals prepared for testing during Pilot phase.
Procurement	Green	Recommended Procurement Strategy approved by Programme Board. Bidders day to be held during September 2015. Plan to issue PQQ to contractors in October 2015 with projected award in Summer 2016.

INFORMATION / DECISIONS

Programme Board 14/09/2015 – Approval of Policy decisions for Pilot phase, and note of planned cases to commence Pilot phase.



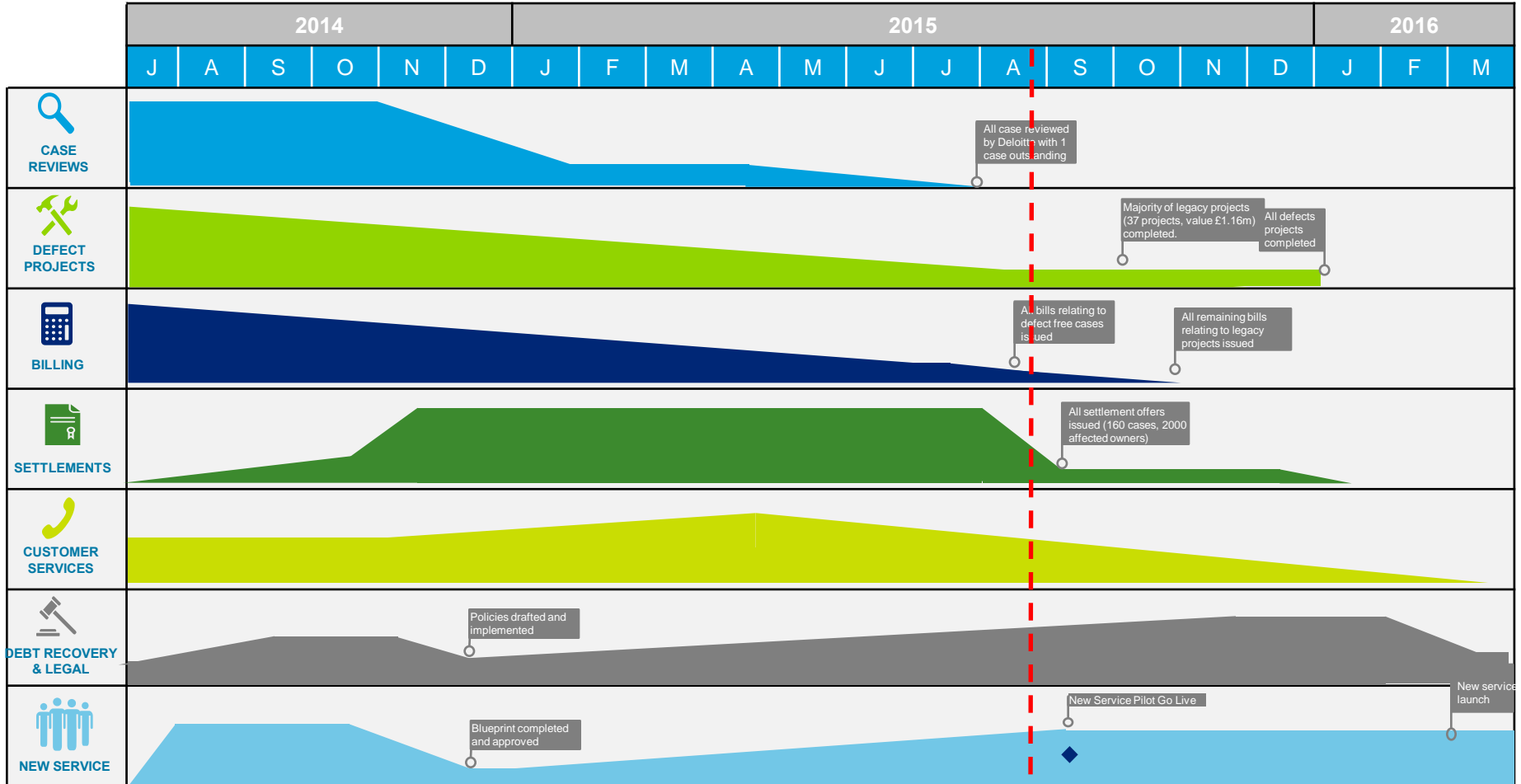
Programme Momentum – Remaining Activity

Monthly progress update (for reporting purposes month end is 25 August)



PROGRESS AND FORECAST

Below, an activity volume forecast is provided below to show the progress since the Programme Momentum was established in July 2014 and the estimated remaining programme to close the legacy service and launch the new replacement service.



Finance and Resources Committee

10.00a.m., Thursday, 24 September 2015

Consultants Costs 2014/15

Item number	7.6
Report number	
Executive/routine	
Wards	All

Executive summary

At its meeting on 25 August 2009, the Finance and Resources Committee noted the intention to report expenditure on consultants on an annual basis. This report provides details of expenditure on consultants during 2014/15.

The Council contracts services from professional consultants, reducing the requirement to employ permanent staff for short-term specialised activities and to mitigate the Council's exposure to potential liabilities.

Revenue expenditure of £5.789 million and capital expenditure of £2.327 million was incurred on consultants for the year ended 31 March 2015. All services, with the exception of Health and Social Care, managed expenditure within the approved budget for 2014/15.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO1, SO2, SO3, SO4

Consultants Costs 2014/15

Recommendations

- 1.1 Finance and Resources Committee is asked to note
 - 1.1.1 revenue and capital expenditure for consultants in financial year 2014/15; and
 - 1.1.2 the enhanced control framework implemented by Corporate Leadership Group (CLG), which now requires all proposed consultancy appointments where the cost exceeds £25,000 to be approved by CLG.

Background

- 2.1 At its meeting on 25 August 2009, the Finance and Resources Committee noted the intention to report expenditure on consultants on an annual basis.
- 2.2 This report provides details of expenditure on consultants during 2014/15.
- 2.3 During 2014/15, the purchase of consultancy services was governed by relevant procurement legislation and Council Contract Standing Orders, as approved by Council on 25 October 2012. On 5 February 2015, Council approved revisions to the existing Contract Standing Orders and Guidance on the Appointment of Consultants.

Main report

- 3.1 An exercise has been completed to analyse expenditure on consultants for the year ended 31 March 2015. The definition of consultancy services applied follows the definition of a consultant approved by Council at its meeting on 5 February 2015 – report by the Director of Corporate Governance “[Operational Governance: Review of Contract Standing Orders and Guidance on the Appointment of Consultants](#)” refers. The definition approved was “a consultant is a specialist who charges a fee for providing advice or services in a particular area of expertise such as business management, human resources, environment, communication, information technology, property and estates and financial services, but excluding agency and temporary workers and professional services provided by solicitors, counsel and actuaries”.
- 3.2 The decision to appoint a consultant is taken after full cognisance of the overall financial constraints within which the Council operates, increased scrutiny of expenditure on consultants by the Finance and Resources Committee and the

revised governance arrangements approved by Council on 25 October 2012 and subsequently 5 February 2015.

- 3.3 The Council contracts services from professional consultants for a range of specialised activities, reducing the requirement to employ permanent staff for short-term purposes and to mitigate the Council's exposure to potential liabilities.
- 3.4 To allow detailed analysis of the most material items, expenditure was reviewed where total payments to any single supplier in the financial year exceeded £2,500 across all service areas. This report includes costs for Edinburgh Trams operations. Consultant fees for Edinburgh Tram Project Management and the St James Quarter project are not included in this report. Separate governance arrangements existed to report the costs of the Edinburgh Tram construction project and costs incurred for the St James Quarter project are recoverable through developer contribution.
- 3.5 Revenue expenditure of £5.789 million and capital expenditure of £2.327 million was incurred on consultants for the year ended 31 March 2015. A summary of expenditure for service areas is shown in the table below. A detailed analysis of this expenditure is shown in Appendix 1 (revenue) and Appendix 2 (capital). All services, with the exception of Health and Social Care, managed expenditure within the approved budget for 2014/15.

Consultants Costs 2014/15

Service	Revenue	Capital	Total
	£	£	£
Children and Families	60,110	1,083,358	1,143,468
Corporate Governance	1,240,689	12,609	1,253,298
Economic Development	276,563	0	276,563
Health and Social Care	174,834	86,554	261,388
Services for Communities	1,200,479	1,144,325	2,344,804
Council-wide	2,836,189	0	2,836,189
Total	5,788,864	2,326,846	8,115,710

3.6 Expenditure for 2013/14 was reported to the Finance and Resources Committee on 30 September 2014. For comparative purposes, 2013/14 expenditure has been re-stated, following changes to the definition of consultants' costs approved by Council on 5 February 2015. Restated expenditure is shown in the following table. The level of consultants costs incurred in any one year is dependent on a range of factors and is not directly comparable between years.

Consultants Costs 2013/14 (re-stated)

Service	Revenue	Capital	Total
	£	£	£
Children and Families	34,871	1,489,241	1,524,112
Economic Development	236,384	36,700	273,084
Corporate Governance	969,614	0	969,614
Health and Social Care	27,601	119,341	146,942
Services for Communities	626,163	1,095,205	1,721,368
Council-wide	1,885,531	0	1,885,531
Total	3,780,164	2,740,487	6,520,651

3.7 Between 2013/14 and 2014/15, there was an increase in revenue expenditure of £2.009 million and a decrease of £0.414 million in capital expenditure.

3.8 During 2014/15, the Council progressed a number of major projects, with the support of consultant expertise. Revenue expenditure was incurred in support of major projects including Property Conservation (£1.621 million), the Council-wide Commercial Excellence Programme (£1.215million) and ICT re-procurement (£0.256 million).

3.9 Expenditure on the Council-wide Commercial Excellence Programme is determined by a procurement savings gain-share contractual agreement. Gain share payments are made based on procurement savings achieved across all Council services.

3.10 At its meeting on 3 August 2015, Finance and Resources Committee approved the recommended bidder to provide future ICT services for the Council. It was

noted that a minimum of £45 million of savings ought to be achieved over seven years.

- 3.11 The decrease in capital expenditure has mainly arisen in Children and Families reflecting progress towards completion of a number of major projects in the Children and Families school estate during 2014/15.
- 3.12 At its meeting on 12 August 2015, Corporate Leadership Group (CLG) agreed enhanced controls for appointment of consultants. All proposed consultancy appointments, where the cost exceeds £25,000, will require approval of CLG.
- 3.13 Expenditure on consultants will continue to be closely reviewed as part of the revenue and capital expenditure monitoring arrangements for each service area during 2015/16.

Measures of success

- 4.1 Revenue and capital expenditure on consultants is contained within approved budget resources.
- 4.2 Council and service outcomes can demonstrate added value and positive outcomes.

Financial impact

- 5.1 There are no financial implications as a result of this report. Corporate Leadership Group will exercise additional control over the appointment of consultants during 2015/16 and expenditure on consultants will continue to be closely monitored as part of the expenditure monitoring arrangements for each service area during 2015/16.

Risk, policy, compliance and governance impact

- 6.1 The delivery of a balanced budget outturn for each service is a key financial target. The risk of budget pressures arising from the appointment of consultants are regularly monitored and reviewed and management action is taken as appropriate.

Equalities impact

- 7.1 There is no direct impact of the report's contents and recommendations to the three Public Sector Equality Duty general duties, nor to the ten key areas of rights set out within the Council's Equality and Rights Framework.

Sustainability impact

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

Consultation and engagement

9.1 There is no consultation or engagement required, as a result of this report.

Background reading/external references

[Consultants Costs 2013/14 - Finance and Resources Committee - Tuesday, 30 September 2014](#)

[Operational Governance: Review of Contract Standing Orders and Guidance on the Appointment of Consultants](#) – City of Edinburgh Council - Thursday 5 February 2015

Alastair D Maclean

Deputy Chief Executive

Contact: Iain Shaw, Principal Accountant

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1: Consultancy – Revenue Expenditure 1 April 2014 – 31 March 2015 Appendix 2 : Consultancy – Capital Expenditure 1 April 2014 – 31 March 2015

Consultancy - Revenue Expenditure 1st April 2014 - 31st March 2015

Consultant	Children & Families	Corporate Governance	Economic Development	Health and Social Care	Services for Communities	Council-Wide	Total
442 Design Ltd			4,000				4,000
Aecom Limited					28,548		28,548
Aecom Infrastructure & Environment UK Limited					8,075		8,075
Allan Robertson Consulting Limited	2,250				7,633		9,883
Amec Foster Wheeler Environment & Infrastructure UK Limited					28,126		28,126
Anna Evans Housing Consultancy					13,544		13,544
APSE					22,425		22,425
Atkins Limited		28,776					28,776
Bacra Ltd					5,479		5,479
Britel Fund Trustees Limited (Trustee of the BT Pension Scheme)					50,370		50,370
British Association for Adoption	13,165						13,165
C2 Management Consulting Ltd			9,450				9,450
Carrick Associates					14,900		14,900
Carlyle Associates Ltd						168,979	168,979
CB Richard Ellis Ltd				3,500			3,500
Core Education and Consulting Solutions (UK) Ltd.	10,280						10,280
Crew 2000 (Scotland) Ltd				3,000	5,000		8,000
David Briggs Associates Ltd	17,800			1,938			19,738
David Mandel & Associates LLC				10,012			10,012
David Narro Associates Ltd					9,169		9,169
Del-Eng Consultancy Services Ltd					54,000		54,000
Deloitte LLP		12,325				1,412,803	1,425,128
DL Consulting and Support Services		4,200					4,200
Doree Bonner International					8,640		8,640
DS Consultants			41,447				41,447
Edinburgh Napier University					7,298		7,298
Ernst and Young LLP		20,324		142,884	154,341	1,215,000	1,532,548
Exception Limited		171,325					171,325
Faithful and Gould					4,385		4,385
Family Futures CIC	3,500						3,500
Farrpoint Ltd		7,650	900				8,550
Gandlake Ltd		33,750					33,750
Gartner UK Ltd		16,517					16,517
Graham Bell Associates Limited			5,000				5,000
Grant Consultancy & Training	2,960						2,960
GVA Grimley Ltd					3,250		3,250
Halcrow Group Ltd					6,223		6,223
HG Consulting (Scotland) Limited			4,875				4,875
Hub South East Scotland Limited					199,323		199,323
Hunter Adams Limited		8,000					8,000
Hypostyle Architects						5,411	5,411
Infracap LLP		35,000					35,000
Iom Consulting Ltd					6,202		6,202
Jacobs Engineering UK Ltd		1,668			184,860		186,528
James Scott & Sons					4,650		4,650
Jess n Jo Enterprises Limited					62,685		62,685

Consultant	Children & Families	Corporate Governance	Economic Development	Health and Social Care	Services for Communities	Council-Wide	Total
Jones Lang LaSalle Limited					4,905		4,905
Lean HR Solutions Limited					24,750		24,750
Leopold Marketing			44,706				44,706
Lockheed Martin Business Technology Solutions Ltd		46,400					46,400
Masterson Media			4,625				4,625
Max Solutions (Associates) Limited		73,437					73,437
Meriel Young Consulting					4,955		4,955
Mott MacDonald Limited					24,833		24,833
Ncc Services Ltd		7,735					7,735
Parasol Limited		10,050					10,050
People Development Consultancy	2,250				34,250		36,500
Pricewaterhousecoopers LLP		259,665	144,460				404,125
Progress Business Solutions Ltd		219,500					219,500
Reiach and Hall Ltd		272,250					272,250
Rettie & Company Limited					16,649		16,649
RSP Consulting Engineers LLP					61,988		61,988
Scottish Water					57,758		57,758
SHL UK Ltd		7,868					7,868
Specialist Computer Centres PLC		4,250					4,250
The Federation of Burial and Cremation Authorities					5,138		5,138
The Renewable Power Exchange Ltd					14,400		14,400
Theresa Casey Consultancy	7,905						7,905
Thomson Bethune					13,310		13,310
Transport & Travel Research Ltd					12,000		12,000
Turner and Townsend Management Solutions Ltd			17,100		17,380		34,480
Watson & Lyall Ltd						33,996	33,996
Watts Group PLC				13,500	1,640		15,140
Willis Ltd					17,400		17,400
Total	60,110	1,240,689	276,563	174,834	1,200,479	2,836,189	5,788,865

CHILDREN & FAMILIES - REVENUE CONSULTANCY SPEND 2014/15

Consultant	Net Amount	Tasks delivered	Impact
Allan Robertson Consulting Limited	2,250	Professional Services for 75 Harvester Way	Legal agreement reached on property transaction.
British Association for Adoption	13,165	Panel attendance & 'Securing children's futures' related work	The Care Inspectorate expect the Council to provide a range of internal and external chairs and members of panels. The provision of this via British Adoption Association is one way in which the Council fulfils this expectation.
Core Education and Consulting Solutions (UK) Ltd.	10,280	Onsite training and professional support	
David Briggs Associates Ltd	17,800	Forensic and Psychological Risk Assessments	Assist permanency planning for child.
Family Futures CIC	3,500	Legal Services - Family consultations	Maintenance of a placement.
Grant Consultancy & Training	2,960	Psychotherapy Social Worker Training	Knowledge and the development of skills in attachment - integral to residential care service delivery.
People Development Consultancy	2,250	Individual development coaching.	
Theresa Casey Consultancy	7,905	Schools Early Years 'HUBS' - Project & Nature Play costs	
Total	60,110		

Consultant	Net Amount	Tasks delivered	Impact
Atkins Limited	28,776	Technical advice and assistance to the Connected Capital Programme	Contribution towards delivery of Connected Capital Project.
Deloitte LLP	12,325	Options appraisal report for Meadowbank Sports Centre.	Meadowbank Sports Centre - report to Council 12th February 2015 Proposal for a New Meadowbank- presented the outcome of the options appraisal study.
DL Consulting and Support Services	4,200	Support for development of organisation structure, job descriptions and grading structure.	Contribution towards implementation of Modernising Pay project.
Ernst and Young LLP	20,324	Support for Edinburgh International Conference Centre project (Project Ballet). Commercial advice and support to Commercial Excellence Programme.	Delivery of Commercial Excellence programme and achievement of procurement savings. Payment based on gainshare mechanism.
Exception Limited	171,325	Review of ICT service specification.	Contribution towards successful re-procurement of the Council's ICT contract by August 2015.
Farrpoint Ltd	7,650	Technical advice for ICT re-procurement project.	Contribution towards successful re-procurement of the Council's ICT contract by August 2015.
Gandlake Ltd	33,750	technical advice to provide support for annual Council Tax billing.	Council Tax billing run undertaken within statutory deadline.
Gartner UK Ltd	16,517	ICT benchmarking and market information	Contribution towards ongoing ICT service delivery and re-procurement of the Council's ICT contract by August 2015.
Hunter Adams Limited	8,000	Organisational Development Programme delivery including coaching sessions	Development of Organisational Development and Human Resources service
Infracap LLP	35,000	Consultancy advice to City of Edinburgh Council's Transformation Programme	Contribution towards delivery of Council Transformation Programme
Jacobs Engineering UK Ltd	1,668	Service s provided in respect of Climate Change Act Compliance Tool.	Support for delivery of Sustainability 2020 project
Lockheed Martin Business Technology Solutions Ltd	46,400	Development of Cognos Business Intelligence management Information Suite.	Improved management information to senior service managers.
Max Solutions (Associates) Limited	73,437	Strategic Review of Council owned sports facilities and sport and leisure services and programmes delivered across Edinburgh.	Identification of options for future service provision in Council owned sport and leisure facilities.
Ncc Services Ltd	7,735	Consultancy support to the ICT re-procurement project	Contribution towards successful re-procurement of the Council's ICT contract by August 2015.
Parasol Limited	10,050	Consultancy support to Health and Safety service	Strengthened delivery of Council Health and Safety service
Pricewaterhousecoopers LLP	259,665	Internal audit co-source and provision of risk management services.	Over the three-year co-source period, PwC will provide services to ensure that the Council's internal audit and risk management function undergoes a transformation to become a leading edge service.
Progress Business Solutions Ltd	219,500	Senior management support for ICT Strategy, Transformation Programme, ICT re-procurement and Commercial Excellence Programme projects.	Contribution towards delivery of Council Transformation Programme. Contribution towards successful re-procurement of the Council's ICT contract by August 2015. Delivery of Commercial Excellence programme and achievement of procurement savings.
Reiach and Hall Ltd	272,250	Technical advice and support for the development of Meadowbank Sports Centre feasibility study.	Meadowbank Sports Centre - report to Council 12th February 2015 Proposal for a New Meadowbank- presented the outcome of the options appraisal study.
SHL UK Ltd	7,868	Human Resources recruitment consultancy - professional advice	Advice on recruitment and selection
Specialist Computer Centres PLC	4,250	Information Security Assessment and Review	Secure management of Council information and data
Total	1,240,689		

Consultant	Net Amount	Tasks delivered	Impact
442 Design Ltd	4,000	Review of the Council's Sustainable Energy Action Plan.	The Sustainable Energy Action Plan was presented to Corporate Policy and Strategy Committee on 24 February 2015 for approval.
C2 Management Consulting Ltd	9,450	General consultancy on the development of a Sustainable Energy Action Plan, Preparation of a Business Case for an Energy Services Company.	The Sustainable Energy Action Plan was presented to Corporate Policy and Strategy Committee on 24 February 2015 for approval. The outline proposal for Energy for Edinburgh (the Energy Services Company) was approved by Council on 25 September 2014 with an update report on 24 February 2015 approved by Corporate Policy and Strategy Committee.
Farrpoint Ltd	900	Independent evaluation of the wired and wireless connectivity at Creative Exchange with assessment of proposed system improvements.	This independent assessment was carried out due to reported performance issues with the wired and wireless network at Creative Exchange. The existing provider had proposed improvements to the system and this independent evaluation was undertaken to access the existing issues, the impact of these issues and to evaluate the proposed solution. Due to the technical nature of the network provision, Farrpoint Limited was tasked with independently evaluating the existing and proposed future provision.
Graham Bell Associates Limited	5,000	Renewable Research Waiver Report.	
HG Consulting (Scotland) Limited	4,875		
Leopold Marketing	44,706	Scottish Cities Alliance at MIPIM Investment Fair- Project Manager role	Successful delivery of the Scottish Cities Alliance stand and profile at the MIPIM 2015 investment fair.
Masterson Media	4,625	Edinburgh Science Triangle - raise profile of science sector.	20% increase in website hits; investment secured by early stage company as direct result of publicity.
DS Consultants	41,447	German Market Investment Support.	The build of potential investor pipeline, support for investor events and marketing activities in German markets.
Pricewaterhousecoopers LLP	144,460	Scottish Cities Alliance City Investment Plans. Funded by the Cities Investment Fund (Scottish Government).	As a result of this work, in 2014 the Alliance agreed an ambitious set of City Investment Plans detailing £6bn worth of investment across the Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, Perth and Stirling city regions.
Turner and Townsend Management Solutions Ltd	17,100	Professional fees for providing services for Refit Programme Phase 1.	
Total	276,563		

HEALTH and SOCIAL CARE - REVENUE CONSULTANCY SPEND 2014/15

APPENDIX 1 (v)

Consultant	Net Amount	Tasks delivered	Impact
CB Richard Ellis Ltd	3,500	Pentland Hill Care Home - Valuation	Property survey / valuation.
Crew 2000 (Scotland) Ltd	3,000	Training course / workshop delivery	
David Briggs Associates Ltd	1,938	Training and consultancy - Clinical Psychologist	Psychologist - Community Intervention Service for Sex Offenders.
David Mandel & Associates LLC	10,012	Training and consulting to improve the safety and well being of families	Training and consulting to improve the safety and well being of families.
Ernst and Young LLP	142,884	Unscheduled Care Discharge review	Review of Health and Social Care Unscheduled Care Discharge process.
Watts Group PLC	13,500	Asset Surveys at Council locations	Property survey / valuation.
Total	174,834		

Consultant	Net Amount	Tasks delivered	Impact
Aecom Infrastructure & Environment UK Limited	8,075	Technical services support contract - provision of consultancy services to the Council's Tram Operations Team.	Specialist technical advice and reports to the Tram Operations Team.
Aecom Limited	28,548	Newbridge Public Transport Study. City of Edinburgh Council met 25% of the cost. Transport Scotland met 50% and West Lothian Council 25%.	Study to identify public transport infrastructure improvements on A8/A89 Corridor.
Allan Robertson Consulting Limited	7,633	Dilapidations advice for Chesser House and Westwood House	Provided expert advice for the Council's defence against/mitigation of dilapidation claims from landlords.
Amec Foster Wheeler Environment & Infrastructure UK Limited	28,126	Zero Waste Project Technical Support	Continued support in delivering Residual Waste Treatment Contract.
Anna Evans Housing Consultancy	13,544	Housing advice.	Assessment of aspects of the Council's affordable housing supply programme.
APSE	22,425	Advice and support for Free School Meals programme.	Catering expert employed on a fixed term contract to assist with the roll out of the free school meal Scottish Government initiative, and a review of the primary and secondary school meals strategy.
Bacra Ltd	5,479	Production of Energy Performance Certificates and support in supplying energy data on Council house stock for Scottish Housing Quality Standards.	Production of Energy Performance Certificates. Energy data supplied on Council house stock.
Britel Fund Trustees Limited (Trustee of the BT Pension Scheme)	50,370	Council contribution to the cost incurred in securing planning consent on a Council asset.	Securing of planning consent on a Council asset.
Carrick Associates	14,900	Parks SROI Project	Insight on the economic and social value of Council parks with a view to fundraise for future investment.
Crew 2000 (Scotland) Ltd	5,000	Contribution to Crewe 2000 to provide welfare support on the Safezone bus.	Provision of welfare support on the Safezone bus.
David Narro Associates Ltd	9,169	Engineering services - Edinburgh Bus Station and West Crosscauseway.	Provision of a structural survey and recommendations for maintenance works required on bus stance/hard standing area at bus station.
Del-Eng Consultancy Services Ltd	54,000	Delivery of Tram operational contract management.	Delivery of Tram operational contract management.
Doree Bonner International	8,640	Provided resources to facilitate the management and delivery of moves around the estate.	Ongoing delivery of the Property Rationalisation programme.
Edinburgh Napier University	7,298	Delivery of a Knowledge Transfer Partnership (KTP) with the Scottish Energy Centre at Napier University to help develop a strategic and considered long term approach to energy management within its operational estate. A Knowledge Transfer Partnership is a relationship formed between a company and an academic institution ('Knowledge Base' partner), which enables the transfer of knowledge, technology and skills to the benefit of the company's objectives. The KTP is jointly funded by the Council and Innovate UK, a non-Governmental organisation.	Under the KTP the 'Knowledge Base' partner has employed a recent graduate to work full time as a KTP Associate within the Council.
Ernst and Young LLP	154,341	Fixed term contract for a specialist contract manager on the Outdoor Advertising contract. Continued support in delivering Residual Waste Treatment Contract.	Successful delivery of the Outdoor Advertising contract that will generate significant revenue streams for the Council. Continued support in delivering Residual Waste Treatment Contract.
Faithful and Gould	4,385	Framework contract utilised in delivering a range of professional services.	
GVA Grimley Ltd	3,250	Professional property advice - Castlebrae Business Centre and Chesser House.	Ongoing delivery of the Property Rationalisation programme.
Halcrow Group Ltd	6,223	Cumulative transport appraisal of new housing sites in the Local Development Plan.	Appraisal identified transport improvements for inclusion in the Local Development Plan Action Programme.
Hub South East Scotland Limited	199,323	Feasibility works for Depots Rationalisation and Hub Muirhouse project.	Hub Depots - early formulation of proposals that will become capital projects. Hub Muirhouse - direct draw down of enabling funding from HubCo to carry out place making study to compliment development of North West Edinburgh Partnership Centre.
Iom Consulting Ltd	6,202	Asbestos Review	Expert knowledge provided in ground contamination.
Jacobs Engineering UK Ltd	184,860	Mini Stern reports undertaken, as part of the Scottish Cities Alliance. This involves local authorities across Scotland undertaking Low Carbon and Climate Change Adaptation Opportunity Assessments (mini stern) identifying the need for policies and actions to reduce greenhouse gas emissions. These highlight the fact that, whilst action would involve additional costs, the alternative of doing nothing would result in higher costs to society in the longer term.	The "Mini Stern" reviews will use these principles to identify potential local economic risks and opportunities for businesses and the public sector arising from climate change and the low carbon agenda in the short and medium term.
James Scott & Sons	4,650	School Catering Equipment Survey	Contributes to delivery of the Free School Meals Programme by 5 January 2015 for all Primaries 1-3 school children.
Jess n Jo Enterprises Limited	62,685	Delivery of Transport Service review.	Transport Service review.
Jones Lang LaSalle Limited	4,905	Letting negotiations.	Project agents for Atria for four years.
Lean HR Solutions Limited	24,750	Organisational development consultancy for Waste and Fleet Services.	Provided support on the development and implementation of the Waste and Fleet structure that emerged as part of the Improvet programme. The impact of this consultancy support was critical in ensuring that a completed structure was delivered.
Meriel Young Consulting	4,955	Specialist consultant to work with partners as the Council lead on Festival of Cycling events.	Contribution to delivery Festival of Cycling events.
Mott MacDonald Limited	24,833	Planning Consultant - Flooding	Undertake statutory review of Planning Applications for Flood Risk.
People Development Consultancy	34,250	Organisational and management development training	
Rettie & Company Limited	16,649	Reviewed business case assumptions and model.	Evaluation of potential arms length housing company.
RSP Consulting Engineers LLP	61,988	Successful provision of utilities and services to Zero Waste Site.	Contribution to delivery of Zero Waste site.
Scottish Water	57,758	Agreement with Scottish Water, East Lothian Council and Midlothian Council to procure the services of a consultant to mathematically model the sewer network in an area of the city and the two neighbouring local authorities.	This work will ultimately inform the Surface Water Management Plan for Edinburgh.
The Federation of Burial and Cremation Authorities	5,138	Independent review of the City of Edinburgh Council's Cremation Service.	Review of the City of Edinburgh Council's Cremation Service.
The Renewable Power Exchange Ltd	14,400	Work on how a local authority could be a member of Our Power or any other energy services company. The Council was allocated a grant by Energy Saving Trust.	This work set out how Our Power would bill tenants / charge and meter for power. It also contributed to a Committee report re joining Our Power.
Thomson Bethune	13,310	Review of the Technical Support Team as part of the iPFM Organisational Review Project.	Contribution towards the delivery of the iPFM Organisational Review Project.
Transport & Travel Research Ltd	12,000	To support work on EU ECOSTARS project to reduce air polluting emissions from freight and bus vehicles, as approved by Transport and Environment Committee.	Contribution towards reduction in air polluting emissions from freight and bus vehicles.
Turner and Townsend Management Solutions Ltd	17,380	Independent review of Cameron House Community Centre.	Contribution towards review.
Watts Group PLC	1,640	Preparation and negotiation of dilapidations report on a property lease, which terminated in 2013.	Ongoing delivery of the Property Rationalisation programme.
Willis Ltd	17,400	Assistance to the Zero Waste Project in procuring a Residual Waste Treatment Contract.	The Residual Waste treatment contract will ensure delivery of a state of the art treatment facility for the Council's waste that was otherwise destined for landfill. The waste will be received at Millerhill in Midlothian where fuel will be produced and burned with products including heat and power. This will meet the Council's statutory requirement to avoid landfilling of biodegradable waste.
Total	1,200,479		

Consultant	Net Amount	Tasks delivered	Impact
Carlyle Associates Ltd	168,979	Senior management support to the Council's Property Conservation Service and Commercial Excellence Programme.	Report to Finance and Resources Committee Property Conservation – Programme Momentum Progress Report 4 June 2015 refers. Progress towards conclusion of Property Conservation case reviews for statutory notice projects, billing and collection of outstanding debt, resolution of Property Conservation complaints and launch of new replacement enforcement service.
Deloitte LLP	1,412,803	Support to the Property Conservation Programme - Project Joule Legacy Case Reviews and Project Momentum Programme.	Property Conservation Programme - report to Finance and Resources Committee Property Conservation – Programme Momentum Progress Report 4 June 2015 refers. Progress towards conclusion of Property Conservation case reviews for statutory notice projects, billing and collection of outstanding debt, resolution of Property Conservation complaints and launch of new replacement enforcement service.
Ernst and Young LLP	1,215,000	Commercial advice and support to Commercial Excellence Programme.	Delivery of Commercial Excellence programme and achievement of procurement savings. Payment based on gainshare mechanism.
Hypostyle Architects	5,411	Property Conservation casework	Progress towards resolution of property conservation case.
Watson & Lyall Ltd	33,996	Property Conservation casework	Progress towards resolution of property conservation case.
Total	2,836,189		

Consultancy - Capital Expenditure 1st April 2014 - 31st March 2015

Consultant	Children & Families	Corporate Governance	Health and Social Care	Services for Communities	Total
Aecom Infrastructure & Environment UK Limited				15,397	15,397
Aecom Limited	20,210				20,210
Allan Murray Architects Ltd	351,384				351,384
Amec Foster Wheeler Environment & Infrastructure UK Limited				1,664	1,664
Anderson Bell and Christie				11,920	11,920
AOC Holdings Ltd	2,965			1,035	4,000
Atkins Limited				34,845	34,845
Cityheart Limited	7,955				7,955
Cundall Johnston & Partners LLP				21,407	21,407
David Adamson and Partners Ltd	2,788			40,745	43,533
David Narro Associates Ltd	1,268			952	2,220
E S A McIntosh Ltd	20,675				20,675
F3 Building Surveyors Ltd				38,436	38,436
Faithful and Gould	14,721			52,906	67,627
Gardiner and Theobald LLP	142,680				142,680
Haa Design Limited	3,770				3,770
Halcrow Group Ltd				123,502	123,502
HG Consulting (Scotland) Limited				16,700	16,700
Ironside Farrar Ltd			2,568	28,523	31,091
Jmarchitects limited	43,505				43,505
Kevin Shaw Lighting Design	7,846				7,846
Lagan Construction Ltd				4,996	4,996
LDN Architects LLP				2,700	2,700
Malcolm Fraser Architects				106,310	106,310
Malcolm Hughes Land Surveyors Ltd				6,910	6,910
Nes UK Ltd (Recruitment)				59,368	59,368
Ove Arup and Partners Scotland Ltd				85,494	85,494
Parsons Brinckerhoff Ltd	15,000			6,723	21,723
Pitney Bowes Software Ltd				48,750	48,750
RSP Consulting Engineers LLP				22,429	22,429
Rybka Limited	45,632			3,980	49,612
Sandy Brown Associates LLP	6,400			1,513	7,913
ScoMac Catering Equipment Ltd	9,700				9,700
Sinclair Knight Merz Europe Ltd				37,560	37,560
Smith Scott Mullan & Associates	98,068			27,159	125,227
Sports Labs Ltd		4,167		1,667	5,833
Steer Davies & Gleave Ltd				7,688	7,688
Structural Soils Ltd	30,981				30,981
T and A Kernoghan Holdings Limited				9,660	9,660
Thomas & Adamson	223,006	8,443	58,366	-6	289,808
Thomson Bethune			10,219	3,920	14,139
Turner & Townsend Infrastructure	4,500			129,785	134,285
Waterman Aspen Ltd				20,930	20,930
White Young Green Consulting Ltd				7,300	7,300
Will Rudd Davidson Edinburgh Ltd	25,005		15,401	67,485	107,892
WSP UK Limited	5,300			88,574	93,874
WYG Environment Planning Transport Ltd				5,398	5,398
Total	1,083,358	12,609	86,554	1,144,325	2,326,846

CHILDREN & FAMILIES - CAPITAL CONSULTANCY SPEND 2014/15

Consultant	Net Amount	Tasks delivered	Impact
Aecom Limited	20,210	Professional Services - Portobello High School	Prepared design and liaised with CEC Roads to provide a road and footpath compatible design for the new Portobello HS
Allan Murray Architects Ltd	351,384	Architect Fees - Boroughmuir High School	Provided full architectural service to ensure a quality design to the latest concepts for the new Boroughmuir HS
AOC Holdings Ltd	2,965	Archaeological Evaluation	Ensuring archaeological studies are on undertaken prior to work commencing on site and having a watching brief during the works on the site of the new Boroughmuir HS
Cityheart Limited	7,955	Professional Services	Assessed legal and design implications of changing the shared ownership park element of the school site from permanent to temporary spec
David Adamson and Partners Ltd	2,788	QS Services at Duddingston Nursery	Cost advice and benchmarking for Duddingston Nursery
David Narro Associates Ltd	1,268	Greenydkes YPC fees	tender cost checked, undertakes valuation and provides cost advice during the construction phase for the new Heathervale Young Persons Centre
E S A McIntosh Ltd	20,675	FF&E consultant Boroughmuir HS	Liaised with the school to achieve an agreed design for the FF&E room layouts to include within the tender for cost certainty at the new Boroughmuir HS
Faithful and Gould	14,721	Professional Fees - Trinity Primary School	Providing effective project management to ensure that the respective projects are built timeously, to the required standard and within budget
Gardiner and Theobald LLP	142,680	Quantity Surveying Services - various High Schools	Provided cost advice to ensure design came within budget, assisted in preparation of contract conditions, tender cost checked, undertakes valuation and provides cost advice during the construction phase for the various new build Schools
Haa Design Limited	3,770	Fees Boroughmuir High School	Provided specialist interior design advice to the main areas to ensure a "flow" between each area of new Boroughmuir HS
Jmarchitects limited	43,505	Architect Fees - Portobello High School	Provided full architectural services to ensure a quality design including providing advice on the Private Bill for the new Portobello HS
Kevin Shaw Lighting Design	7,846	Lighting Design - Boroughmuir High School	Provided specialist lighting designs to provide a visual impact for the new Boroughmuir HS
Parsons Brinckerhoff Ltd	15,000	Professional Services Portobello High School	Provided structural engineer expertise for the design of the new structure of Portobello HS
Rybka Limited	45,632	Mechanical engineering services Portobello High School and James Gillespie's High School	Provide expert advice on the mechanical elements of Portobello HS
Sandy Brown Associates LLP	6,400	Consultancy fees - Boroughmuir High School	Provided specialist guidance on the design of the building to ensure the acoustics, noise and vibration are within the comfort of the users for the new Boroughmuir HS
ScoMac Catering Equipment Ltd	9,700	Catering Design Consultancy	Provided specialist kitchen advice to design the kitchen and servery layout to ensure the most efficient way of serving pupils with the aim of increasing school meal take-up for the new Boroughmuir HS
Smith Scott Mullan & Associates	98,068	Fees re Kirkliston Primary School	Provision of full architectural design services for the extension works at the new Kirkliston PS
Structural Soils Ltd	30,981	Ground investigation Boroughmuir High School	Undertaken soil investigation to allow the most economical foundation design to be determined and to check ground conditions for contaminates for the new Boroughmuir HS
Thomas & Adamson	223,006	Project management and quantity surveyor fees re James Gillespie's HS, Portobello HS, Towerbank PS	Providing effective project management to ensure that the respective projects are built timeously, to the required standard and within budget
Turner & Townsend Infrastructure	4,500	Boroughmuir High School gateway review	Providing an independent assessment of, and assurance regarding, the progress on the project
Will Rudd Davidson Edinburgh Ltd	25,005	Structural engineering services for Kirkliston PS, Liberton HS, Boroughmuir HS	Provide structural engineering expertise for the design of new structure of Kirkliston PS, Liberton PS and Boroughmuir PS Projects
WSP UK Limited	5,300	Fees - Boroughmuir High School	Prepared design and liaised with CEC Roads to provide a road, footpath and bridge compatible design for the new Boroughmuir HS
Total	1,083,358		

CORPORATE GOVERNANCE - CAPITAL CONSULTANCY SPEND 2014/15

Consultant	Net Amount	Tasks delivered	Impact
Sports Labs Ltd	4,167	Consultancy Services Fees for Malleny Park, Balerno	Expert advice on the installation of new 3G pitch at Malleny Park
Thomas & Adamson	8,443	Project Management Services - Assembly Rooms	Project Managers for the recent major capital refurbishment. Required to conclude project.
Total	12,609		

HEALTH & SOCIAL CARE - CAPITAL CONSULTANCY SPEND 2014/15

Consultant	Net Amount	Tasks delivered	Impact
Ironside Farrar Ltd	2,568	Consultancy services re autism and day care centre	Professional Landscape design
Thomas & Adamson	58,366	Project Management Services re new autism centre/ James Gillespie High School	Providing effective project management to ensure that New Autism Centre was built timeously, to the required standard and within budget
Thomson Bethune	10,219	Fees re autism daycare/ respite centre	Costing advice for new Autism centre
Will Rudd Davidson Edinburgh Ltd	15,401	Structural Engineering services re autism daycare/ respite centre	Provide expertise in relation to new structure of Autism Centre
Total	86,554		

SERVICES FOR COMMUNITIES - CAPITAL CONSULTANCY SPEND 2014/15

Consultant	Net Amount	Tasks delivered	Impact
Aecom Infrastructure & Environment UK Limited	15,397	M9/A8000 Consultant fees	Transport Capital Investment Programme: Fees associated with technical input into completing infrastructure works at M9 spur (and A800) road works in conjunction with FETA
Amec Foster Wheeler Environment & Infrastructure UK Limited	1,664	Professional Fees for Planning Support for Millerhill Site	Waste Services Capital Investment Programme: Technical support for building utility infrastructure and bridge works at Zero Waste Site - Millerhill
Anderson Bell and Christie	11,920	21st Century Homes: Energy and initial feasibility study for road access to Napier University, Sighthill	HRA Capital Investment Programme: Contributing to the delivery of 21st Century Homes Project for new build Council housing
AOC Holdings Ltd	1,035	Data structure report	Transport Capital Investment Programme: Archaeology services for ground investigation works prior to Carriageway and Footway works being undertaken.
Atkins Limited	34,845	Roseburn to Leith Walk Cycle Link Study	Transport Revenue Cycling Investment: Feasibility studies in respect cycle link works - Roseburn to Leith Walk - Externally funded
Cundall Johnston & Partners LLP	21,407	Fees Stockbridge Primary School	Asset Management Capital Programme : Engineering services in respect of Children and Families asset programme.
David Adamson and Partners Ltd	40,745	21st Century Homes: Professional Fees - Leith Fort, Pennywell, Greendykes	HRA Capital Investment Programme: Contributing to the delivery of 21st Century Homes Project for new build Council housing
David Narro Associates Ltd	952	Fees FFSCR Project	Corporate Property Asset Investment Programme: Contributing to refurbishment of 249 High Street
F3 Building Surveyors Ltd	38,436	Building Surveying Services - various sites	Asset Management (Health and Social Care) Capital Programme: Surveying services in respect of upgrading works on various care homes
Faithful and Gould	52,906	CDM & project management services	Asset Management Capital Programme: Project management services in respect of projects linked to investing in Council owned buildings
Halcrow Group Ltd	123,502	Route design review, consultancy support for Pollock Halls, Meadows projects	Transport Capital Investment Programme: Professional services in respect of delivering elements of the Cycling programme, Water of Leith Phase 2. HRA Capital Investment Programme: Delivery of 21st Century Homes Project for new build council housing
HG Consulting (Scotland) Limited	16,700	Project Enable - Charge for Waterman Transport	Transport Capital Investment Programme: Professional services in respect of delivering the Leith Improvement Programme and Water of Leith Phase 1
Ironside Farrar Ltd	28,523	Causey Project - Consultancy support	Corporate Property Capital Investment Programme: Preparatory consultancy on delivery of the Causey Project - public real investment.
Lagan Construction Ltd	4,996	Consultants fee for Water of Leith flood modelling.	Transport Capital Investment Programme: Water of Leith Phase 1 - share of modelling costs
LDN Architects LLP	2,700	Architectural Services	Corporate Property Capital Investment Programme: Architects fees relating to Public Realm works at the Usher Hall.
Malcolm Fraser Architects	106,310	Leith Fort Design Team	HRA Capital Investment Programme: Contributing to the delivery of 21st Century Homes Project (Leith Fort) for new build Council housing
Malcolm Hughes Land Surveyors Ltd	6,910	Topographical surveys for various sites	Transport Capital Investment Programme: Professional service in respect of topographical surveys at various cycle links across the city
Nes UK Ltd (Recruitment)	59,368	Human resource to provide project support	Transport Capital Investment Programme: Human resource to provide support in delivering programmes for both Carriageway and Footways and the Leith Improvement Programme
Ove Arup and Partners Scotland Ltd	85,494	Technical Support for Water of Leith Flood Prevention Scheme Phase 2	Transport Capital Investment Programme: Professional services in respect of delivering technical input to both phase 1 and 2 of the Water of Leith project
Parsons Brinckerhoff Ltd	6,723	Provide CDM consultancy services for the Greendykes & West Pilton Crescent Projects	HRA Capital Investment Programme: Contributing to the delivery of 21st Century Homes Project for new build Council housing
Pitney Bowes Software Ltd	48,750	Additional 120 days consultancy for development	Transport Capital Investment Programme: Additional technical required in respect of go live date for the new Confirm Asset Management System
RSP Consulting Engineers LLP	22,429	Consultancy Fees for Zero Waste Project	Waste Services Capital Investment Programme: Technical support for building utility infrastructure and bridge works at Zero Waste Site - Millerhill
Rybka Limited	3,980	Engineering Services re Hearts Supporters Club	Corporate Property Capital Investment Programme: Engineering services used in line with fire reinstatement works of Craigmillar Hearts Social Club
Sandy Brown Associates LLP	1,513	East Neighbourhood	Asset Management (Children and Families) Capital Programme: Surveying services in respect of upgrading works on Sighthill Primary School
Sinclair Knight Merz Europe Ltd	37,560	Traffic Modelling - Picardy Place and Leith	Transport Capital Investment Programme: Professional services in respect of delivering technical input to Phase 4 of Leith Improvement Programme
Smith Scott Mullan & Associates	27,159	Housing Capacity Study	HRA Capital Investment Programme: Contributing to the delivery of regenerating council estates. Corporate Property Capital Investment Programme: Services used in line with reinstatement of Craigmillar Hearts Supporters Club
Sports Labs Ltd	1,667	Defect assessment on Meadowbank 3G/throws area	Culture and Sport Capital Investment Programme: Services used in respect of building new 3G pitch at Malleny Park (Balerno)
Steer Davies & Gleave Ltd	7,688	Consultancy Fees - Charlotte Square	Transport Capital Investment Programme: Additional technical support required in respect of scope for public realm works at Charlotte Square
T and A Kernaghan Holdings Limited	9,660	Technical support	Community Safety Capital Investment Programme: Technical support in respect of work on Morningside Library
Thomas & Adamson	-6	Quantity surveying fees	Asset Mgmt (C&F) Capital Programme: Surveying services in respect of upgrading works on children's centre
Thomson Bethune	3,920	Professional Fees	Corporate Property Capital Investment Programme: Quantity surveying services used in line with fire reinstatement works of Craigmillar Hearts Social Club
Turner & Townsend Infrastructure	129,785	Commercial Support for WOLFPS Phase 2	Transport Capital Investment Programme: Commercial services in respect of delivering Water of Leith Phase 2 project
Waterman Aspen Ltd	20,930	Human resource to provide project support	Transport Capital Investment Programme: Human resource to provide support in delivering the Water of Leith project
White Young Green Consulting Ltd	7,300	Edinburgh bus tracker (RTPI)	Transport Capital Investment Programme: Consultancy service for city wide bus tracker roll out project
Will Rudd Davidson Edinburgh Ltd	67,485	Structural and civil engineering consultancy services relating to various sites	HRA Capital Investment Programme: Engineering services in respect of citywide structural surveys for multiple elements of the programme.
WSP UK Limited	88,574	Roseburn to Union Canal Cyclelink - Phase 1 Design Works	Transport Capital Investment Programme: Design work carried out in respect of the Leith Improvement Programme and citywide cycling related projects
WYG Environment Planning Transport Ltd	5,398	Edinburgh bus tracker (RTPI)	Transport Capital Investment Programme: Consultancy service for city wide bus tracker roll out project
Total	1,144,325		

Finance and Resources Committee

10.00am, Thursday 24 September 2015

Commercial Excellence Programme – Update and Annual Review of the Council’s Commercial and Procurement Strategy

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

This report updates the Committee on progress with regard to the Commercial Excellence programme and delivery of the Council’s Commercial and Procurement Strategy.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	

Commercial Excellence Programme – Update and Annual Review of the Council’s Commercial and Procurement Strategy

Recommendations

- 1.1 It is recommended that the Committee notes the progress on the Commercial Excellence Programme, the priorities for 2015/16 and the proposed approach to develop a revised strategy in 2016.

Background

- 2.1 The Council’s Commercial and Procurement Service (CPS) provides advice and support to customers to enable them to meet the Council’s purchasing and other commercial requirements. CPS carries out strategic sourcing and tendering procedures and also monitors and challenges planned purchasing activity to ensure it is both effective and compliant. CPS has a crucial role to play in helping the Council to achieve its budgeted savings targets and in delivering the Council’s Transformation Programme.
- 2.2 The Council’s Commercial and Procurement Strategy was approved by the Corporate Policy and Strategy Committee in August 2014. It reflects the three main strands of the Commercial Excellence Programme, namely:
 - generating savings through improved commercial activity;
 - improving the quality and control of all purchasing activity; and
 - improving the Council’s capacity and capability with regard to commercial and procurement activities.

Main report

- 3.1 CPS reviewed the Commercial and Procurement Strategy in July 2015 and concluded that it still meets the Council’s vision, strategic aims and objectives for procurement and commercial activity.
- 3.2 Since the strategy was approved, the following progress has been made:

Savings

- 3.3 Savings delivered in 2014/15 amounted to £17m and overall savings over the two years since the launch of the Commercial Excellence programme in 2013 amount to £39m.
- 3.4 Forecast savings amount to in excess of £20m for both 2015/16 and 2016/17, with a strong pipeline of savings activity over the coming years. CPS will continue to work with Directorates to identify and deliver further opportunities as they arise.
- 3.5 It is worth noting that income maximisation has been, and will continue to be, a key part of the benefits achieved through the Commercial Excellence programme. Nearly £30m of income is currently expected over the next five years through the Council's concessions which have been let (eg Festival wheel and meadows rental) and other commercial opportunities which have been taken up (eg strategic advertising contract with JC Decaux).
- 3.6 The process for developing and delivering projects has been much improved by:
- improved management information availability, for example on expiring contracts and the pipeline of procurement projects;
 - improved processes, for example the agreed "5 stage process" for the development and management of projects from an initial idea through to contract management and benefits realisation;
 - improved compliance levels; and
 - better engagement with services, for example through the close working of members of the CPS team with Directorate managers and Senior Management Teams.

Quality and Control of Purchasing Activity

- 3.7 The Council established a Procure to Pay (P2P) project in early 2014. This has resulted in:
- improved financial control - through having more expenditure pre-authorised through raising of purchase orders at the right time (currently 89%, compared with 30% in April 2014);
 - improved efficiency - having listened to feedback, including from the Schools Forum, making the ordering process quicker, more intuitive and more effective for staff; and
 - improved management information – having better information on what the Council spends its money on and who is accountable for purchases.
- 3.8 Procurement performance and compliance is now reported each month to Directorate management teams in a procurement dashboard.

- 3.9 CPS has established a successful supplier engagement programme with monthly surgeries and quarterly “Meet the Buyer” events. The latest event attracted 232 local businesses.
- 3.10 Work is progressing on a new corporate approach to contract and supplier management. A Board with representatives from each Directorate has been established. A forum has also been put in place for staff involved in contract management across the Council and a health check is underway for the contract management arrangements of the Council’s 20 most significant contracts.

Capability and Capacity

- 3.11 CPS has established a comprehensive learning and development programme with over 50 events taking place in the first half of 2015. All CPS staff have participated in a core programme which has been recognised as an exemplary model by the Council’s Organisational Development service. This covered:
- The customer experience;
 - Change;
 - Effective influencing;
 - Risk management; and
 - Council business
- 3.12 CPS has appointed two staff as Commercial Partners in order to strengthen relationships and engagement with Directorates and assist with both compliance and planning.
- 3.13 A pilot is underway of a new procurement delivery “tactical” team. Members of the team have been drawn from across CPS and the aim is to funnel less complex contract opportunities through this team and allow the existing procurement teams to focus on more strategic projects. The Tactical Team also provides a great learning environment for staff who are new to procurement which assists with the ambition to grow our own talent.
- 3.14 The team has recently successfully completed the ICT re-procurement, one of the largest and most innovative tender exercises carried out by the Council. This contract will provide the Council with many opportunities to transform service provision and is also expected to save the Council significant sums compared to current spend on ICT.

External Accreditation

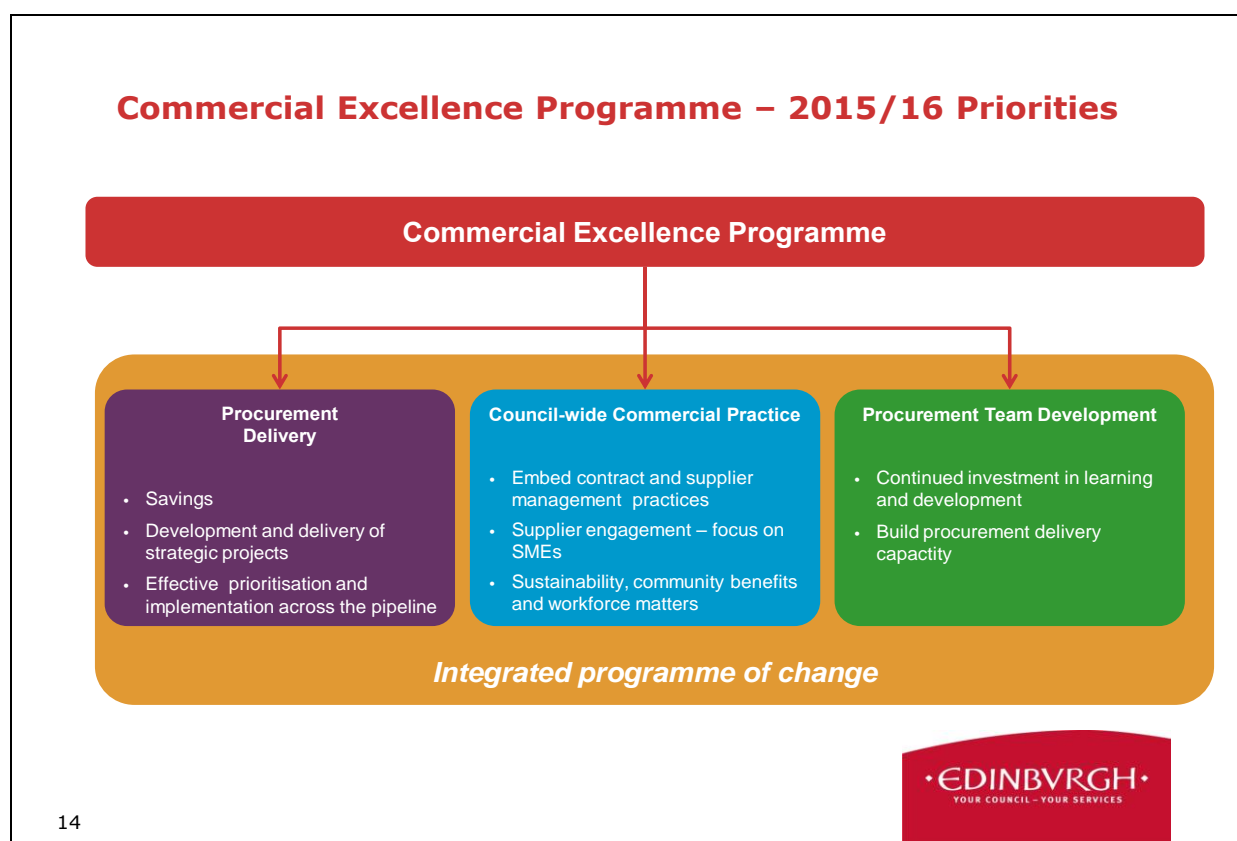
- 3.15 CPS progress over the last year has been recognised in a number of external assessments.
- 3.16 All councils undergo an annual Procurement Capability Assessment undertaken by Scotland Excel on behalf of the Scottish Government. In 2014 the Council’s PCA score was 76%, up from 51% in 2012 and 59% in 2013. This placed the

Council one of the top three Councils in Scotland in the “superior performance category”.

- 3.17 In June 2015 CPS participated in the annual Customer Service Excellence assessment for Financial Services. The assessment was successful with full compliance on 53 criteria (93%).
- 3.18 The Council applied for two GO Excellence in Procurement Awards in 2014, for the Commercial Excellence Programme and the P2P Project. Both applications were shortlisted.
- 3.19 The Council has also been advised that it is a finalist for three categories of the GO Excellence in Procurement Awards. The winners will be announced in October 2015.
- 3.20 The Council also applied the CIPFA Scotland Awards in 2015. The Commercial Excellence Programme won the Award for Innovation, Improvement and Best Practice and the P2P project team was shortlisted for the Team of the Year.

Priorities for 2015/16

- 3.21 Over the next year the priorities for CPS remain broadly the same and fit within the three main strands of the Commercial Excellence Programme. This is shown below.



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- 3.22 Areas of particular focus in the short term include:

- development of Sustainable Procurement practices, including consideration of environmental factors, workforce issues including the living wage, opportunities for co-production with service users and for local SMEs;
- contract and supplier management; and
- building procurement delivery capacity in a market where there is high demand across Scotland for skilled procurement staff.

3.23 In addition the Council must continue to manage a number of risks and issues which have previously been highlighted to Committee, including:

- inconsistent recognition of the scale of transformation required to meet the budget challenge;
- wide scale change in roles and responsibilities as the Council moves to a new organisational structure;
- capacity and capability in services, as well as within CPS where recruitment and retention remains a concern, particularly to resource an effective approach to contract and supplier management; and
- the transition to a new ICT provider.

Looking ahead

3.24 The Procurement Reform (Scotland) Act 2014 received Royal Assent in June 2014. The new duties do not come into effect until a Commencement Order and further regulations are put in place. This is expected to be late in 2015. In the meantime the Scottish Government has carried out a formal consultation on the Act and is currently developing detailed guidelines.

3.25 The Act sets out a number of points that public bodies will be required to cover within their procurement strategies, including:

- Approach to compliance with Sustainable Procurement Duty;
- Approach to community benefits;
- Consultation with those affected by procurements;
- Policy on procurement of fairly and ethically traded goods and services;
- Policy on how the Council intends its approach to regulated procurements involving the provision of food to (i) improve the health, wellbeing and education of communities in the authority's area, and (ii) promote the highest standards of animal welfare.

3.26 CPS will undertake a full update of the Council's Commercial and Procurement Strategy to meet the requirements of the Act and any associated guidance when it comes into effect.

Measures of success

- 4.1 The Council will achieve the financial targets which have been included in the approved budget within a robust purchasing control environment

Financial impact

- 5.1 Delivery of the planned savings plays a significant role in the Council delivering a balanced budget position.

Risk, policy, compliance and governance impact

- 6.1 The delivery of the Commercial Excellence programme is a key factor in the Council achieving its financial targets. The risks associated with the programme are regularly monitored and reviewed and management action is taken as appropriate. In addition, the P2P review and improved management information are improving planning and compliance.

Equalities impact

- 7.1 There are no direct equalities implications arising from this report.

Sustainability impact

- 8.1 The proposed focus in 2015/16 on sustainability will support the Council in meeting the Sustainable Procurement Duty as required in the Procurement Reform Act.

Consultation and engagement

- 9.1 Services have all had an opportunity to comment on this report.

Background reading/external references

[Commercial Excellence Update, Report to Finance and Resources Committee, 30 October 2014](#)

[CPS Strategy, report to Corporate Policy and Strategy Committee, 5 August 2014](#)

Alastair Maclean

Deputy Chief Executive

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	None

Finance and Resources Committee

10.00a.m., Thursday, 24 September 2015

Common Good Annual Performance 2014-15

Item number	7.8
Report number	
Executive/routine	
Wards	

Executive summary

The report presents the outturn position for the Common Good Fund and the performance of its cash investments for 2014/2015.

Links

Coalition pledges	P30, P31
Council outcomes	C19
Single Outcome Agreement	SO2

Common Good Annual Performance 2014-15

Recommendations

- 1.1 Members are asked to note the contents of this report.

Background

- 2.1 The City of Edinburgh Council has a statutory obligation under the Local Government etc. (Scotland) Act 1994, Section 15(4)(b) in administering property held as part of the common good to have regard to the interests of all of the inhabitants of the City. In effect the Council holds the Common Good Fund for the benefit of the City as a whole.

Main report

Financial Outturn

- 3.1 All expenditure and income relating to Common Good property, including that which is incurred from within main Council budgets, will be included in the Revenue Account for the Common Good Fund. A recharge equal to the net cost funded from Council budgets is shown as being made against the Council for the use of the assets.
- 3.2 The audited accounts for the Common Good Fund for 2014-15 show a surplus in year of £1,185,463.
- 3.3 The sale of East Market Street garage as part of a package of properties was completed in 2014/15. The Common Good account was credited with a receipt of £1,182,950. The receipt, net of costs associated with the disposal, was transferred to an earmarked reserve pending consideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of office rationalisation. This reserve remains part of the funds available for investment by the Common Good through the Council's Cash Fund.
- 3.4 The report by the Chief Operating Officer to Finance and Resources Committee on 27 August 2015 recommends that the receipt be retained within the Common Good Fund.
- 3.5 The balance of the surplus of £3,880 was credited to the Common Good Fund at 31 March 2015. The balance of the Fund is £1.654m (£1.650m 2014).

3.6 The following table summarises the expenditure and income for the Common Good Fund for the year.

2013-14		2014-15		
		Direct	From Council	Total
		Budgets		
(£000)		(£000)	(£000)	(£000)
3,486	Property Costs	2	3,996	3,998
20	Other Expenditure	42	0	42
<hr/>		<hr/>		<hr/>
3,506		44	3,996	4,040
(941)	Rents, Fees and Charges	0	(1,273)	(1,273)
(38)	Sale of Fixed Assets	(1,218)	0	(1,218)
(2,554)	Recharges	0	(2,723)	(2,723)
(8)	Investment Income	(11)	0	(11)
<hr/>		<hr/>		<hr/>
(35)	Surplus	(1,185)	0	(1,185)

The detailed statement of accounts is shown in Appendix 1 attached.

- 3.7 In addition to the sale of East Market Street garage, the Common Good received a receipt of for the sale of airspace above property in the Grassmarket. The £35,000 proceeds from the sale were credited to the Common Good Revenue Account.
- 3.8 HM Treasury announced in December 2014 its intention to redeem at face value its pre war stock bonds. The Common Good Fund held £1,400 in 3 ½% war stock bonds and £340 in 3 ½% conversion stock bonds. The war stock bonds were redeemed in March 2015 and the receipt was credited to the Common Good Revenue Account.
- 3.9 The Council funded net expenditure of £2.723m (£2.554m 2014) on Common Good properties of which £1.060m (£1.490m 2014) was funded from revenue and £1.663m (£1.063m 2014) from capital budgets.
- 3.10 The majority of the cash resources of the Common Good are invested with the Council's cash fund with a small balance held within the Council's loans fund to manage day to day cash flow. The interest earned on the investment amounted to £9,701 (£8,359 in 2014). The interest was re-invested with the cash fund throughout the year. A balance of £2.756m was held within the Council's cash fund at 31 March 2015.

- 3.11 The Council's cash fund investments annual rate of return to March 2015 was 0.47% (0.52% 2014). This performance has been benchmarked against the 7 day London Inter Bank rate. The Council's cash fund out performed the benchmark rate of 0.35% by 0.12% (0.17% in 2014) during the year.

Common Good Properties

- 3.12 The list of properties included in the financial accounts as assets of the Common Good is listed in Appendix 2.
- 3.13 No further properties were been conclusively identified as Common Good during the year.
- 3.14 The report by the Acting Director of Service for Communities to Corporate Policy and Strategy Committee on 4 August 2015 advised that there is a risk that some properties are not identified as common good and are not included on the Council's asset register for the Common Good.
- 3.15 The value of Common Good assets is determined in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The property holdings of the Common Good are mainly held at historic cost as Community or Heritage Assets and are not subject to revaluation. Only those parts which may have the capacity to be used to generate income are subject to revaluation.
- 3.16 As noted above, East Market Street garage was sold during 2014-15. Prior to its sale the site was revalued to the level of the capital receipt and then written out of the fixed assets.
- 3.17 The net value of the remaining Common Good property holdings was increased by £132,174 due to net upward revaluations.
- 3.18 The properties held by the Council on behalf of the Common Good are managed as part of the overall Council estate. The report on the Corporate Asset Strategy 2015-19 to Corporate Policy and Strategy Committee on 12 May 2015 advised that performance indicators are to be established to measure improvement on the condition of the property portfolio. Properties will be surveyed at least every 5 years and the indicators updated.
- 3.19 As Common Good properties are used operationally by Council services, any development of and capital investment in Common Good properties forms part of the Council's capital investment programme. During 2014-15 the following capital investment was undertaken on Common Good assets:
- City Chambers (£1.334m) A number of improvements were undertaken at the City Chambers complex during 2014-15 including replacements and upgrades to boilers, lighting and other mechanical and engineering systems, repairs to the roof, stonemasonry and windows, and major refurbishments to the business centre and 249 High Street.

Parks Drainage Works (£0.130m) – Drainage improvement works were undertaken on the Meadows and Roseburn Park as part of a package of general drainage improvements in the City's parks.

Current Issues Affecting the Common Good in Edinburgh

Community Empowerment (Scotland) Bill

- 3.20 The report to Corporate Policy and Strategy Committee on 4 August 2015 by the Acting Director of Services for Communities advised members of the obligations which will be placed on the local authorities by the Bill, which was passed by the Scottish Parliament on 19 June 2015, subject to Royal Assent. It places a statutory duty on local authorities to establish and maintain a register of properties held by them for the common good.
- 3.21 The report proposed a benchmark against which to test assets to determine whether they should appear on the Common Good register and the Committee sought further clarification to be reported back to a future meeting.
- 3.22 It was noted that there will be an additional staffing requirement and significant cost to the Council in reviewing the full Council asset register against the benchmarks and requested that an annual budget for this of £250,000 be considered as part of the 2016/17 budget process.

Parliament Hall

- 3.23 The Corporate Policy and Strategy Committee on 24 February 2015 considered an urgent motion by Councillor Burns on the registration of the title to the court complex between Parliament Square and the Cowgate.
- 3.24 The Chief Internal Audit and Risk officer reported to Governance, Risk and Best Value committee on 18 June 2015 on the circumstances of surrounding the acquisition of legal title to the property by the Scottish Government. The report was considered in private, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973. This report was referred to Finance and Resources Committee on 27 August 2015 to consider any further legal action by the Council.
- 3.25 A further report on the proposed action to secure the return of Parliament Hall to Common Good ownership is being considered elsewhere on this agenda.

Custom House

- 3.26 The acquisition of Custom House was completed in April 2015.
- 3.27 Legal and survey costs totalling £29,314 were incurred during 2014/15. A further £22,081 in professional fees, registration dues and Land and Buildings Transaction Tax (LBTT) have been incurred to date in the current financial year, in addition to the purchase price of £650,000.
- 3.28 Following its acquisition, the Finance and Resources Committee on 13 May 2015 approved the lease of Custom House to the Scottish Historic Building Trust (SHBT) on a five year lease at £1 per annum, if asked. The SHBT assumes

responsibility for internal repairs with the Council retaining responsibility for external repairs.

- 3.29 SHBT are sourcing an estimated £10m external funding which is expected to be required to fully restore the building. On the basis that SHBT is successful in raising the capital required, at the end of the five year lease, or earlier if funding is secured, SHBT will be granted a 99 year lease.

Princes Street Gardens – National Galleries of Scotland Proposed Extension

- 3.30 The Acting Director of Services for Communities' report to Finance and Resources Committee on 3 February 2015 advised Members of a request by the National Galleries of Scotland (NGS) to purchase a strip of land which forms part of Princes Street Gardens.
- 3.31 The report advised that since the land is inalienable Common Good and also protected by the City of Edinburgh District Council Order Confirmation Act 1991, that a disposal would require a variation to the Act and may also require a separate application to the Court of Session.
- 3.32 The NGS has agreed to pay all costs associated with obtaining the necessary consents.

Measures of success

- 4.1 Through the Council's Financial Statements, the Common Good account receives an unqualified audit certificate from the External Auditor by 30 September 2015.

Financial impact

- 5.1 The surplus generated in the Common Good Revenue Account resulted from the proceeds of the sale of land at Bishop's Close. The underlying outturn was a deficit of £2,365 as the cost of managing the fund exceeds the interest earned on its investments.

Risk, policy, compliance and governance impact

- 6.1 A review to determine whether a property should be considered Common Good is undertaken if it is identified for disposal or if a significant change of use is proposed.
- 6.2 This recommended approach was accepted by the Council's Finance and Resources Committee on 17 June 2008.
- 6.3 There is a risk that some properties are not identified as Common Good and are incorrectly included on the Council's asset register. The Common Good asset

register could therefore be incomplete and that the balance sheet value of fixed assets understated. This would not comply with accounting standards. Audit Scotland is aware of the Council's approach.

- 6.4 The risk that Common Good property could be unlawfully disposed of or appropriated is managed within the review processes currently in place.

Equalities impact

- 7.1 There is no direct relevance of the report's contents to equalities related issues. However, the statutory obligation placed on the Council for the management of Common Good property is for the benefit of all of the City's inhabitants.

Sustainability impact

- 8.1 There is no direct relevance of the report's contents to sustainability related issues.

Consultation and engagement

- 9.1 The Council's financial statements, including the Common Good, will be made available for public inspection in July / August in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 1985.

Background reading/external references

["Revenue monitoring 2014-15 - Outturn report" - report to the Finance and Resources Committee 27 August 2015.](#)

["Common Good Assets Register" - report to Corporate Policy and Strategy Committee 4 August 2015](#)

["Proposed Lease of Custom House Commercial Street Leith" - report to Finance and Resources Committee 13 May 2015](#)

["Corporate Asset Strategy 2015-19" - report to Corporate Policy and Strategy Committee 12 May 2015](#)

["Princes Street Gardens - National Galleries of Scotland Proposed Extension" - report to Finance and Resources Committee 3 February 2015](#)

Alastair D Maclean

Chief Operating Officer

Depute Chief Executive

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning P31 – Maintain our City’s reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	S02 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	<ol style="list-style-type: none">1. Unaudited Common Good Fund financial statements 2014/152. List of Common Good assets as at 31 March 2015

COMMON GOOD FUND

2013/14	REVENUE ACCOUNT	2014/15
£		£
75,528	Expenditure	
0	<i>Property Costs</i>	
39,060	Bruntsfield Links	80,471
33,036	Burns Monument	0
1,703,823	Calton Hill / Calton Road	45,477
490,372	Canongate Tolbooth	38,063
4,924	City Chambers	2,725,893
50,939	City Observatory	203,901
48,274	East Market Street Garage	54
99,663	Inch Park	52,630
8,655	Lady Stairs House	30,269
30,176	Meadows	251,154
25,782	Nelsons Monument	11,892
875,572	Portobello Park	12,946
0	Roseburn Park	30,695
14	Princes Street Gardens (including Ross Theatre and Scott Monument)	514,164
<u>3,485,818</u>	South Queensferry Harbour	0
	Other Incidentals	<u>14</u>
		3,997,623
	<i>Other</i>	
19,711	Custom House Acquisition costs	29,315
<u>3,505,528</u>	Central Support Costs	<u>12,773</u>
		4,039,711
	Income	
	931,659 Rents	1,273,060
	9,500 Other Fees & Charges	0
	38,000 Proceeds from sale of Fixed Assets	1,217,951
	0 Proceeds from redemption of Investment Bonds	1,400
	<u>8,424 Investment Income</u>	<u>9,701</u>
	987,583	2,502,112
	2,553,238 Recharge to City of Edinburgh Council for Use of Assets	2,723,062
	0 Transferred from Fit for Future Earmarked Reserve	0
<u>3,540,821</u>	0 Transfer from Disabled Access Grants Reserve	<u>0</u>
<u>-35,293</u>	(Surplus) / Deficit for Year	<u>5,225,174</u>
		<u>-1,185,463</u>

£	STATEMENT OF MOVEMENT ON THE COMMON GOOD FUND	£
-35,293	Deficit / (Surplus) for the Year on the Common Good Income and Expenditure Account	-1,185,463
0	Net Additional Amount required by Statute on Non-Statutory Proper Practices to be credited to the Common Good Balance for the Year	0
<u>-35,293</u>		<u>-1,185,463</u>
	Whereof:	
35,293	Added to (Transferred from) Common Good Fund	3,880
0	Transferred to Fit for Future Earmarked Reserve	1,181,583
<u>35,293</u>		<u>1,185,463</u>

COMMON GOOD FUND

31st March 2013

BALANCE SHEET

31st March 2014

		Operational Assets		
	0	Other Land and Buildings	0	
23,823,741	<u>23,823,741</u>	Community Assets	<u>21,757,296</u>	21,757,296
		Non-Operational Assets		
0		Surplus Assets Held for Disposal		0
<u>0</u>		Deferred Charges		<u>0</u>
23,823,741				21,757,296
104,340		Heritage Assets		102,960
1,740		Investments (at cost)		340
		Current Assets		
	708	Debtors	1,993	
	182,741	Short Term Investments	2,756,061	
	0	Provision for Bad Debts	0	
	31,525	Balance with Loans Fund	57,829	
	<u>1,414,161</u>	Cash and Cash Equivalents	<u>0</u>	
	1,629,135		2,815,883	
		Less: Current Liabilities		
		Creditors	<u>-1,993</u>	2,813,890
<u>1,628,427</u>	<u>-708</u>	NET ASSETS		<u>24,674,486</u>
<u>25,558,248</u>				
		Represented by :		
		Revaluation Reserve		21,860,256
23,928,080		Capital Adjustment Account		<u>-21,710</u>
<u>-20,678</u>		Disposals/Revaluations		0
0				21,838,546
<u>23,907,402</u>		Common Good Fund		
	1,615,184	Fund at start of year	1,650,477	
	<u>35,293</u>	Surplus for year /Deficit	<u>3,880</u>	1,654,357
1,650,477				
		Unrealised Gains on Investments		0
369				
		Fit for Future Earmarked Fund		
	0	Balance at start of year	0	
	0	Surplus for year /Deficit	1,181,583	
	<u>0</u>	Transferred to Revenue Account	<u>0</u>	
0				1,181,583
<u>25,558,248</u>				<u>24,674,486</u>

COMMON GOOD FUND

	Community Assets £	Land and Buildings £	Surplus Assets Held for Disposal £	Total £	Heritage Assets £
Balance as at 1 April 2014	23,823,741	0	0	23,823,741	104,340
Restated				0	0
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	-883,494			-883,494	-1,380
Revaluation decreases recognised in the deficit on the Provision of Services	0	0	0	0	0
Depreciation in Year	0	0	0	0	0
Depreciation w/o to the deficit on the Provision of Services	0	0	0	0	0
Derecognition - disposals	-1,182,951			-1,182,951	0
Balance as at 31 March 2015	<u>21,757,296</u>	<u>0</u>	<u>0</u>	<u>21,757,296</u>	<u>102,960</u>

(B) Information on Assets Held:-

The Fixed Assets owned by the Common Good Fund include the following approximate numbers as at 31st March 2015

Community Assets - Monuments and Other Activities	20
Parks and Open Spaces	31
Non Operational Assets Shops, Industrial Units and other commercial lettings	17

(Note - the assets list at Appendix 2 may group the above)

(C) Revaluation Reserve

	£
Balance brought forward as at 1 April 2014	-23,928,080
Restated - Capital Adjustment Account to Revaluation Reser	0
Revaluation of Assets Upward revaluation of assets	-411,724
Downward revaluation of assets	<u>1,296,597</u>
	884,873
Derecognition - disposals	1,182,951
Balance as at 31 March 2015	<u>-21,860,256</u>

(D) Capital Adjustment Account

	£
Balance brought forward as at 1 April 2014	20,678
Restated - Accumulated Depreciation	
Restated - Capital Adjustment Account to Revaluation Reserve	
Net written out of cost non-current assets consumed in year	<u>20,678</u>
Revaluation Losses on Property, Plant and Equipment	0
Adjusting Amounts w/o of Revaluation Reserve	0
Other Movements	1,032
Balance as at 31 March 2015	<u><u>21,710</u></u>

COMMON GOOD**REGISTER OF ASSETS (for Accounting Purposes)****Asset Name**

Bruntsfield Links
 Calton Hill
 City Chambers Complex
 City Observatory
 East Market St Garage
 Grassmarket - MARTYR'S CROSS MONUMENT
 Inch Park
 Lady Stair's House
 Meadows
 Meadows - NELSON PILLARS
 Meadows - SUNDIAL WEST
 Memorials - High Street
 Peoples Story Museum
 Portobello Park
 Princes St Gardens (East)
 Princes St Gardens (West)
 PSG - WALTER SCOTT MONUMENT -HISTORIC BUILDING
 PSG - ADAM BLACK STATUE
 PSG - ALLAN RAMSAY STATUE
 PSG - BURNS MONUMENT
 PSG - DAVID LIVINGSTON STATUE
 PSG - DEAN RAMSAY MEMORIAL CROSS
 PSG - FLORAL CLOCK
 PSG - GENIUS OF ARCHITECTURE STATUE
 PSG - ROBERT LOUIS STEVENSON MEMORIAL GROVE
 PSG - Ross Bandstand
 PSG - ROSS FOUNTAIN
 PSG - ROYAL SCOTS GREYS MONUMENT
 PSG - ROYAL SCOTS MONUMENT
 PSG - SCOTTISH AMERICAN WAR MEMORIAL
 PSG - SIR JAMES Y SIMPSON STATUE
 PSG (W) - MEMORIAL STONE
 PSG -NORWEGIAN MEMORIAL STONE
 PSG -ST MARGARET'S WELL
 PSG -THOMAS GUTHRIE STATUE
 Roseburn Park
 S Queensferry Harbour
 Scotland Street Lane
 Scott Monument
 Session House, Dalmeny
 Session Lands, Dalmeny
 St James Place

Note - PSG is used as an abbreviation for Princes Street Gardens

Finance and Resources Committee

10.00am, Thursday 24 September 2015

City of Edinburgh Council – Report to those Charged with Governance on the 2014/15 Audit - referral report from the Governance, Risk and Best Value Committee

Item number	7.9
Report number	
Wards	All

Executive summary

The Governance, Risk and Best Value Committee on 23 September 2015 will consider a report on the principal findings arising from the Council's 2014/15 external audit. It is anticipated the report, subject to any amendments and/or additions to the recommendations, will be referred to the Finance and Resources Committee for approval of the annual audit and will subsequently be referred to the City of Edinburgh Council for approval to set aside the £0.162 million increase in the in-year underspend within the Council's Priorities Fund. Any amendments and/or additions to the recommendations will be reported verbally at Committee.

Links

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

Terms of Referral

The City of Edinburgh Council – Report to those Charged with Governance on the 2014/15 Audit

Terms of referral

- 1.1 The review of all matters related 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 be attending the Governance, Risk and Best Value Committee on Wednesday 23 September 2015 to provide an overview of the accompanying report and to respond to specific queries members might have on its contents,
- 1.2 Given the Governance, Risk and Best Value Committee's scrutiny function, however, approval of the annual accounts requires referral to the Finance and Resources Committee meeting taking place on 24 September 2014. The external auditor will also attend the Finance and Resources Committee meeting.
- 1.3 The Governance, Risk and Best Value Committee will be asked to:
 - 1.3.1 Note that, following the audit process, an unqualified audit opinion has been issued on the Council's Annual Accounts for 2014/15.
 - 1.3.2 Refer the Annual Accounts for 2014/15 to the Finance and Resources Committee for approval and thereon to Council to set aside the £0.162 million increase in the in-year underspend within the Council Priorities Fund.
 - 1.3.3 Note that, following approval, the Annual Accounts for 2014/15 will be submitted to the External Auditor.
 - 1.3.4 Note the extent of progress made in addressing the improvement actions contained within the previous Best Value report issued in December 2014 and that delivery of the remaining actions set out in the action plan in Appendix IV will be reported to the Committee during the year.

For Decision/Action

- 2.1 The Governance, Risk and Best Value Committee, subject to any amendments and/or additions to the recommendations, has been invited to refer the report to the Finance and Resources Committee for approval of the Annual Accounts. It is expected the report will subsequently be referred to the City of Edinburgh

Council for approval to set aside the £0.162 million increase in the in-year underspend within the Council's Priorities Fund.

Background reading / external references

[City of Edinburgh Council – Report to those Charged with Governance on the 2014/15 Audit](#)

Carol Campbell

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Links

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

Governance, Risk and Best Value Committee

10am, Wednesday, 23 September 2015

The City of Edinburgh Council – report to those charged with governance on the 2014/15 audit

Item number

Report number

Executive/routine

Wards

Executive summary

The report summarises the principal findings arising from the Council's 2014/15 external audit. While primarily focused on the review of the financial statements, the audit's scope included wider consideration of the Council's financial position, governance structures, use of resources and arrangements for securing best value.

An unqualified audit opinion has been issued on the financial statements for the Council but the report notes the failure of one of the Council's Significant Trading Operations (STOs) to break even over a rolling three-year period.

The report further concludes that the Council's financial management arrangements are broadly satisfactory, with actions identified to strengthen control arrangements in areas of particular pressure and plans developed to support medium- to longer-term financial sustainability. The Council is assessed to have effective governance arrangements in place, including its systems of internal control and internal audit and fraud prevention functions.

The report furthermore comments favourably on the extent of progress made in respect of the action points raised in the Best Value report of December 2014, as well as on the Council's performance and public reporting framework.

The City of Edinburgh Council – report to those charged with governance on the 2014/15 audit

Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
 - 1.1.1 note that, following the audit process, an unqualified audit opinion has been issued on the Council's Annual Accounts for 2014/15;
 - 1.1.2 refer the Annual Accounts for 2014/15 to the Finance and Resources Committee for approval and thereon to Council to set aside the £0.162m increase in the in-year underspend within the Council Priorities Fund;
 - 1.1.3 note that, following approval, the Annual Accounts for 2014/15 will be submitted to the External Auditor;
 - 1.1.4 note the extent of progress made in addressing the improvement actions contained within the previous Best Value report issued in December 2014 and that delivery of the remaining actions set out in the action plan in Appendix IV will be reported to the Committee during the year.

Background

- 2.1 The Council submitted its unaudited Annual Accounts to the external auditor on 26 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 24 September. The external auditor will also attend the Finance and Resources Committee meeting.

- 3.1 As in previous years, the External Auditor's report on the annual audit contains four sections:
- Financial statements;
 - Financial management and sustainability;
 - Governance and transparency; and
 - Best Value

- 3.2 The key messages from the audit are presented on pages 4 and 5 of the report (included as Appendix 1), with a number of action points for the Council to address in the coming months also noted. These, together with the responses provided by the Council, are shown on pages 44 to 48.

Financial Statements (pages 7 to 13)

- 3.3 Audit Scotland has provided, by means of a letter issued in accordance with the requirements of ISA260 (Appendix 2), an unqualified opinion on the financial statements, albeit it has been noted that one Significant Trading Operation, Edinburgh Catering Services – Other Catering, failed to meet the statutory requirement to break even over a rolling three-year period. The in-year deficit for 2014/15 was £66,000, with a cumulative three-year deficit of £94,000, reflecting the impact of a downturn across both in-house catering and external hospitality.
- 3.4 In addition to having implemented a reduction in opening hours and menu rationalisation, the catering service forms part of the Property and Asset Management Strategy (PAMS) workstream, proposals for which will be reported to the Finance and Resources Committee on 24 September 2015.
- 3.5 The auditor's report notes that no issues pertaining to the legality of the Council's financial transactions require to be brought to members' attention. The Council's interest in a number of subsidiaries and associates has also been appropriately reflected in the wider group accounts. An unqualified audit opinion has furthermore been issued on the Council's Charitable Trusts.
- 3.6 The report notes that a small number of presentational and other adjustments have been incorporated in the audited statements, increasing the reported surplus for the year from £0.519m to £0.681m. A reconciliation of this movement is included as Appendix 3. Upon approval of the statements by the Finance and Resources Committee, the report will then be referred to Council for approval to set aside this additional sum within the Council Priorities Fund.
- 3.7 The report notes a number of significant issues which, in the view of the auditor, require to be communicated to members of the Committee (included on pages 10 to 12). In each case, the matter in question has been discussed with Council officers and corresponding actions agreed. None of the matters resulted in any amendment to the accounts.

Financial management and sustainability (pages 14 to 23)

- 3.8 The report notes that current financial management arrangements are broadly satisfactory, with most service areas containing expenditure within budgeted levels in 2014/15. While a significant overspend was incurred in the Health and Social Care service, the report acknowledges that the Council has taken action, by means of commissioning an external review, to identify both the underlying causes of the financial pressures and potential mitigating actions to address them.
- 3.9 The report further concludes that financial governance arrangements are in accordance with the principles of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, with comprehensive and recently-updated financial rules and regulations, effective scrutiny of budget management by Committee and sound financial planning and monitoring arrangements all in place. While acknowledging progress in the development of plans to address the Council's overall savings requirement, the report notes that, in common with other councils, these will require the taking of further difficult decisions to maintain financial sustainability going forward.

Governance and transparency (pages 24 to 31)

- 3.10 The report concludes that the Council has effective governance arrangements, providing an appropriate framework for organisational decision-making. Effective systems of internal control and satisfactory arrangements for the prevention and detection of fraud and irregularities are also in place. The report furthermore notes that procedures for maintaining standards of conduct and the prevention and detection of corruption are effective.
- 3.11 The report comments favourably on the effectiveness of current decision-making and scrutiny political arrangements. Progress in respect of the statutory repairs service and tram project is also noted.

Best Value (pages 32 to 37)

- 3.12 The extent of progress made in respect of the recommendations contained within the December 2014 Best Value follow-up is noted, with particular emphasis on the development of plans to secure the Council's longer-term financial sustainability through integration of the transformation and service prioritisation work programmes. In addition, the report notes the approval in March 2015 of a workforce strategy, the significant savings anticipated to arise from the recently-signed ICT contract and the favourable assessment of the capability of its procurement function, all of which were highlighted as areas for improvement in the previous report.
- 3.13 The report furthermore notes that the Council's performance management arrangements work well, with significant progress made in the past year in the

range and quality of its public performance reporting. The Council's active scrutiny of Audit Scotland's national performance reports is also highlighted.

Measures of success

- 4.1 The Council receives an unqualified audit certificate from the external auditor by 30 September 2015.
- 4.2 Actions are undertaken to address the actions within the action plan in accordance with the timescales indicated.

Financial impact

- 5.1 There is no direct additional impact arising from the report's contents, although the effectiveness of the Council's current financial management and planning arrangements is noted.
- 5.2 As a result of the audit process, the Council's reported surplus for the year increased by £0.162m. Council approval will be sought to set aside this sum within the Council Priorities Fund, which forms part of the overall General Fund.
- 5.3 The General Fund stood at £117.476m at 31 March 2015, comprising £104.452m earmarked for specific purposes and £13.024m as an unallocated General Fund balance against the likelihood of unfunded risks crystallising.

Risk, policy, compliance and governance impact

- 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.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

Consultation and engagement

- 9.1 The financial statements 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 no requests for further information under these Regulations.

Background reading/external references

[Unaudited Financial Statements 2014/15](#), City of Edinburgh Council, 25 June 2015

Alastair D Maclean

Deputy Chief Executive

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on agreed objectives
Single Outcome Agreement	SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	Appendix 1 - City of Edinburgh Council – Report to those charged with governance on the 2014/15 Audit Appendix 2 - ISA260 letter on 2014/15 Financial Statements Appendix 3 - Audited 2014/15 Financial Statements Appendix 4 - Reconciliation of movement in outturn position



City of Edinburgh Council

Annual audit report to
Members and the
Controller of Audit

September 2015

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. (www.audit-scotland.gov.uk/about/ac)

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Accounts Commission has appointed Dave McConnell as the external auditor of City of Edinburgh Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of City of Edinburgh Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Financial management and sustainability	14	Appendix III – Summary of National Reports 2014/15	43
Governance and transparency	23	Appendix IV – Action Plan	44

Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none">• Unqualified auditor's report on the 2014/15 financial statements.• Explanatory paragraph in the auditor's report on the failure of Edinburgh Catering Services (Other) to achieve its prescribed financial objective.• Unqualified auditor's report on the seven charitable trusts administered by the council.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none">• The council's financial management arrangements are broadly satisfactory, with actions identified to strengthen control arrangements in particular areas of financial pressure.• The council has developed longer term financial plans to ensure it is sustainable currently and in the foreseeable future.• Risks remain around key assumptions and delivery of savings associated with the financial plans (£107 million required by 2019/20), and identification of the savings required to bridge the estimated funding gap.
 <p>Governance and transparency</p>	<ul style="list-style-type: none">• The council has effective governance arrangements in place.• Systems of internal control operated effectively.• The council has an effective internal audit function and sound anti-fraud arrangements.



Best Value

- The council has made good progress in addressing the issues raised in the Best Value report of December 2014.
- Difficult choices will need to be made around matching future resources to priorities, in order to achieve the level of required savings.
- A well established performance framework is in place, and public performance reporting arrangements are clear and structured.



Outlook

- Councils face rising demands for services and continued funding pressures alongside managing major reforms in welfare and health and social care.
- Effective arrangements for Best Value will be essential for efficient use of available resources, and strong governance and leadership will be needed for the successful delivery of the council's transformation programme.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of City of Edinburgh Council (the council). The report is divided into sections which reflect our public sector audit model.
2. The management of City of Edinburgh Council is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of City of Edinburgh Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II and III**, include recommendations for improvements.
6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that City of Edinburgh Council understands its risks and has arrangements in place to manage these risks. The council and the corporate leadership group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2014/15 financial statements

Audit opinion	<ul style="list-style-type: none"> • We have completed our audit and issued an unqualified independent auditor's report. • We have included an explanatory paragraph in the auditor's report on the failure of Edinburgh Catering Services (Other) to achieve its prescribed financial objective.
Going concern	<ul style="list-style-type: none"> • The financial statements of City of Edinburgh Council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the council, its group and associated charitable trusts ability to continue as a going concern.
Other information	<ul style="list-style-type: none"> • We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.
Charitable trusts	<ul style="list-style-type: none"> • We have completed our audit of the 2014/15 financial statements of the charitable trusts administered by the council and issued an unqualified independent auditor's report.
Group accounts	<ul style="list-style-type: none"> • The council has accounted for the financial results of two subsidiaries, four associates and two trusts in its group accounts for 2014/15. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £109 million.
Whole of government accounts	<ul style="list-style-type: none"> • The council submitted a consolidation pack for audit by the deadline. This has been audited and the certified return submitted to the Scottish Government.

Submission of financial statements for audit

9. We received the unaudited financial statements on 26 June 2015, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted the delivery of the audit to deadline.

Overview of the scope of the audit of the financial statements

10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, was outlined in our Annual Audit Plan presented to the Governance, Risk and Best Value Committee on 23 April 2015.
11. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
12. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the

audit and how we addressed each risk in arriving at our opinion on the financial statements.

13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

The audit of charities financial statements

14. The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) set out the accounting and auditing rules for Scottish charities. These require a full audit of all registered charities accounts where a local authority or some members are the sole trustees.
15. The council has seven funds which were subject to the full charities financial statements audit for 2014/15.
16. We have given an unqualified opinion on the 2014/15 financial statements of the relevant charities registered by the council.

Group accounts

17. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations.
18. City of Edinburgh Council has accounted for the financial results of two subsidiaries, four associates and two trusts in its group accounts for 2014/15. The overall effect of consolidating these

balances on the group balance sheet is to increase total reserves and net assets by £109 million.

Materiality

19. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
20. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
21. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of City of Edinburgh Council we set our planning materiality for 2014/15 at £17.2 million for the council and £18.7 million for the group (1% of gross expenditure). We report all misstatements greater than £100,000. Performance materiality was calculated at £9.5 million for the council and £10.3 million for the group, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality levels.

22. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that our original calculation remained appropriate.

Evaluation of misstatements

23. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.
24. A number of minor presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to decrease the council and group total expenditure by £0.163 million. Net assets as recorded in the balance sheet have increased by £0.163 million.

Significant findings from the audit

25. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
 - Significant difficulties encountered during the audit
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management

- Written representations requested by the auditor
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

26. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

Significant findings from the audit

Issue	Resolution
<p>Housing Revenue Account rent accounting system</p> <p>An unreconciled difference of £0.737 million was identified between the rent debtors balance in financial ledger and the Northgate rent accounting system. Rental income is posted to Northgate on a fortnightly basis and the difference is the cumulative effect of variations between the fortnightly postings to Northgate and the postings to the ledger.</p>	<p>The financial statements currently reflect the rent debtors balance per the financial ledger. As the variation is not material to the financial statements, no adjustment has been made to the accounts. The council is continuing to investigate the reasons for the variance in conjunction with its system supplier and will make any necessary adjustments during the 2015/16 financial year. It is also reviewing its procedures for processing interfaces between the rent accounting system and the ledger.</p>
<p>Accounts Receivable reconciliation</p> <p>During testing of debtors, we identified that the accounts receivable control account was not fully reconciled to the financial ledger at the year end. A difference of £0.5 million exists between the ledger and system balance. The system reports required for the reconciliation were not produced at the same date as the ledger reports, and system limitations on the accounts receivable system prevent the reports from being produced retrospectively.</p>	<p>The financial statements currently reflect the accounts receivable debtors balance per the financial ledger. As the variation is not material to the financial statements, no adjustment has been made to the accounts. The council will review and re-issue financial statements closedown instructions for 2015/16 with an emphasis on the procedures and timing of these system reports. Replacement of the current accounts receivable system has been prioritised as part of the new ICT contract arrangements.</p>

Issue	Resolution
<p>Statutory repairs - debtor</p> <p>The financial statements contain a significant total debtor balance of £21.1 million (2013/14 - £30.6 million) relating to statutory notices. The reduction is mainly due to write-offs and amounts recovered from debtors. In 2013/14 there was balance of £19.1 million relating to work carried out but not yet billed. This element of the statutory repairs debt was reduced to £6.7 million by the 2014/15 financial year-end and the council has continued to make progress in addressing this debt at the beginning of 2015/16.</p> <p>The impairment provision for statutory repairs debt has been revised during the year to reflect new information available to the council. This includes levels of written-off debt, recovery rates and increased assurance of recovery around cases that have been reviewed externally. The provision for 2014/15 stands at £8.9 million (2013/14 - £12.6 million) or 42% of the total which is comparable to the level set in 2013/14 (41%).</p>	<p>We reviewed the calculation of the level of provision and we considered the council's approach to estimation to be reasonable. The council will continue to refine the provision as further collection information is gathered.</p>
<p>Significant Trading Organisation – achievement of statutory requirement</p> <p>The council's trading activity (Edinburgh Catering Services – Other) failed to achieve the statutory obligation to break even over a three year period. The deficit for 2014/15 was £66,000, with a cumulative three year deficit of £94,000.</p>	<p>The failure to achieve a statutory obligation has been reported as a failure to achieve a prescribed financial objective in the Independent Auditor's Opinion. The council has put in place a number of measures address the profitability of the service going forward, including reduced opening hours and menu rationalisation. In addition, the catering service has been included within the scope of the Property and Asset Management strategy which is currently being considered by the council.</p>

Issue	Resolution
<p>Annual Governance Statement</p> <p>The financial statements include an annual governance statement, which sets out the governance arrangements in place for the council and group, along with a review of effectiveness and issues identified through the process. The format of the governance statement complies with the requirements of CIPFA's <i>Framework for delivering good governance in local authorities</i>. However, there is scope for improving the review of effectiveness narrative by providing detail on the key actions being taken in relation to identified issues.</p>	<p>A meeting will be held with external auditors prior to March 2016 to discuss expectations around the additional proposed narrative content of the statement, and potential for improvement. The outcome of these discussions will be reflected in the preparation of the Annual Governance Statement for 2015/16.</p>

Future accounting and auditing developments

Revisions to the Code of Practice

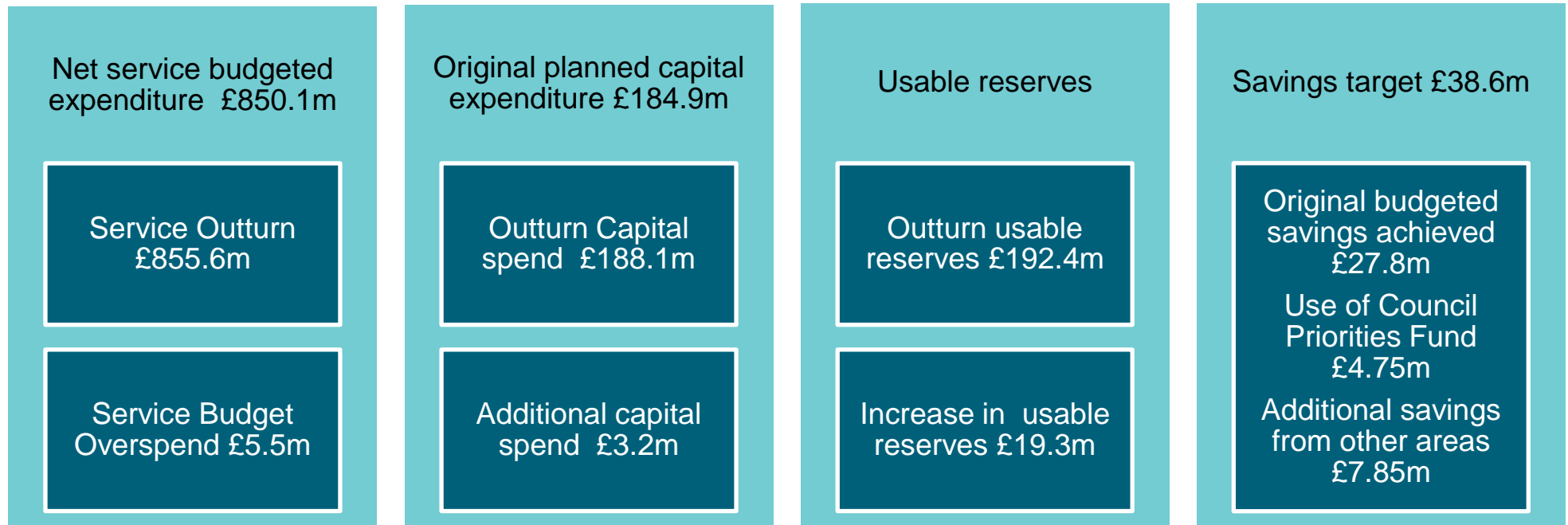
27. The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. The following paragraphs set out the most significant changes to accounting requirements introduced by the 2015/16 Code.
28. **(IFRS) 13 Fair value measurement:** Although the measurement requirements for operational property, plant and equipment will not change, enhanced valuation disclosures will be required. However, the 2015/16 Code requires surplus assets to be measured at fair value in accordance with IFRS 13. The council will need to make the necessary preparations to ensure that the new requirements are addressed for the 2015/16 financial statements.

29. **Transport infrastructure assets:** The council's highway assets are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code will require highways to be measured, for the first time, on a depreciated replacement cost basis. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets.

Health and Social Care Integration

30. From 1 April 2016 Integration Joint Boards (IJBs) will be accountable for the provision of health and social care. IJBs will be required to produce financial statements in compliance with the Code and the Accounts Commission will appoint auditors to audit the financial statements. Paragraph 112 of this report provides further detail on the arrangements for Edinburgh Integration Joint Board.

Financial management and sustainability



Financial management

31. In this section we comment on the council's financial outcomes and assess the council's financial management arrangements.
32. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The setting of the annual budget impacts directly on residents as it determines council tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

33. Overall the council reported a net underspend of £0.681 million against budget. The outturn of most general fund services is broadly satisfactory, with four service areas delivered within approved budgets. However the Health and Social Care service was overspent by £5.878 million against budget.
34. The Health and Social Care overspend was a result of demand led pressures within the service. A drawdown of £4.75 million was made against the Council Priorities Fund to address this, with the balance of savings coming from other corporate savings and underspends in the year.
35. The council commissioned an external review to identify the main reasons for this service overspend, and assist in developing enhanced controls and additional savings plans for the current financial year. As of August 2014 unfunded pressures of £16.5

million had been identified for 2015/16, with a range of service and corporate savings plans put in place to address these. The council reported in August 2015 that some of the Health and Social Care service savings plans were not on target to be achieved. Consequently further corporate savings proposals of £4.8 million have been developed which, subject to approval by council, leave a residual overspend of £1.4 million to be dealt with by the service over the remainder of the financial year.

Recommendation 1

36. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. After making an in-year voluntary debt repayment of £6.1 million, the HRA surplus of £2.5 million for the year was transferred to the Repairs and Renewals Fund. This will be used to fund future capital investment in new homes.

Financial management arrangements

37. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the proper officer has sufficient status within the council to be able to deliver good financial management
 - financial regulations are comprehensive, current and promoted within the council

- reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question budget holders on significant variances.
38. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.
39. A review of the council's Financial Services function was completed in July 2014. In addition to contributing to the service's overall budget savings requirement, the resulting staffing and other changes are intended to support wider transformation within the council with increased emphasis on the provision of management information.
40. We reviewed the council's financial regulations, which were updated in April 2015, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's website.
41. Financial monitoring reports, both revenue and capital, are submitted to the Finance and Resources Committee and other executive committees on a quarterly basis. The Governance, Risk and Best Value Committee also consider financial monitoring reports as part of their scrutiny arrangements. Reports to committee

focus on high level monitoring of variances and mitigating actions, and are underpinned by more detailed reporting at Corporate Leadership Group and Senior Management Team level.

42. Previous Best Value reports highlighted scope for improving the summary reporting of the council's financial position and progress against savings plans. As part of its revised governance arrangements around the transformation programme, the council has consolidated the service prioritisation and transformation programme saving plans into one single plan. Progress against this plan is now reported to the Finance and Resources Committee bi-monthly.
43. We attend a number of council and committee meetings each year. Members provide a good level of challenge and question budget holders on significant variances and service performance issues.

Conclusion on financial management

44. We have concluded that the council's financial management arrangements are broadly satisfactory, with actions identified to strengthen control arrangements in particular areas of financial pressures.

Financial sustainability

45. The council delivers a broad range of services, both statutory and discretionary, to its communities. Financial sustainability means that the council has the capacity to meet the current and future needs of its communities.

46. In assessing financial sustainability we are concerned with whether:
- there is an adequate level of reserves
 - spending is being balanced with income in the short term
 - long term financial pressures are understood and planned for
 - investment in services and assets is effective.

Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

Reserves

47. The overall level of usable reserves held by the council at 31 March 2015 was £192.5 million, an increase of £19.5 million compared to the previous year (see exhibit 1).

Exhibit 1: Usable reserves

Description	31 Mar 2014 (£m)	31 Mar 2015 (£m)
General fund	123.3	117.5
Renewal & repairs fund	21.9	34.8
Capital grants unapplied	2.0	4.3
Capital fund	25.8	35.9
Total usable reserves	173.0	192.5

Source: City of Edinburgh Council 2014/15 financial statements

48. The general fund reserve has no restrictions on its use. The principal purpose of holding a general fund reserve is to provide a contingency fund to meet unexpected events and as a working balance to help cushion the impact of uneven cash flows.
49. The general fund balance includes £13 million of unallocated reserves, which equates to 1.36% of the council's annual budgeted net expenditure. The balance of £104 million has been earmarked for specific purposes, including:
- Specific investment - £13.9 million
 - Contingency and workforce management - £17.9 million
 - Dilapidations - £8.8 million
 - Insurance fund - £12.6 million
 - Council tax discount fund - £18.6 million
 - IT transformation - £3.5 million
 - Spend to save initiatives - £4.0 million.

Financial planning

50. The council approved its 2015/16 budget in February 2015. The 2015/16 budget was set at £949 million and assumes net savings of £22 million to reach a balanced position. The council's long term financial strategy and plan presented to committee in June 2015 set out the high level spending plans and savings requirements over a five year period. Cumulative net savings of £107 million are required by financial year 2019/20 to address the estimated funding gap (see exhibit 2).

Exhibit 2: 2015/16 – 2019/20 estimated savings requirement

	2015/16	2016/17	2017/18	2018/19	2019/20
	£ m	£ m	£ m	£ m	£ m
Planned expenditure	949	976	997	1,020	1,046
Total income	(927)	(923)	(930)	(933)	(939)
Cumulative net saving required	22	53	67	87	107
Savings identified	(22)	(33)	(48)	(53)	(56)
Cumulative funding gap	0	20	19	34	51

Source: City of Edinburgh Council - Revenue Budget Framework 2016-2020, Financial Strategy 2016-2020

51. The financial projections included in the long term plan are based on a number of key assumptions, including:
- a 3% annual increase in council tax levels from 2017/18
 - Scottish Government revenue grant funding reduction of 0.5% per annum over the period from 2016/17 to 2018/19
 - annual inflationary assumptions of 2% for long-term contracts and 1.5% for wage awards from 2017/18

- demography continues to be provided based upon existing baseline data.

52. The council has identified a number of potential savings as part of their transformation programme, but a funding gap still exists, with a £20 million gap in 2016/17. Service prioritisation options are currently being developed for an additional £34 million of savings that could be implemented from April 2016. This will provide some flexibility and choice as part of the 2016/17 budget consultation process.
53. The progress made by the council in addressing the financial gap is encouraging, however a number of challenges remain. In addition to risk around the financial assumptions built into the long term budget, and the deliverability of the savings plans, the council is facing further financial pressures in 2015/16 around Health and Social Care spending and estates maintenance and rationalisation which are likely to increase the existing funding gap.

Recommendation 2

Council transformation programme

54. The council is implementing a transformation programme aimed at building a lean and agile organisation with a focus on individuals and communities. Four core projects around citizens and neighbourhoods, business and support services, channel shift and asset management have been developed and are supported by a number of cross-cutting workstreams. Outline business cases were developed in January 2015 to support the identified savings figures

set out in exhibit 2. Estimated annual savings to be delivered through the programme over the next 5 years include:

- £6 million through the new procured ICT contract
- £5.3 million as a result of channel shift
- £9.1 million from the implementation of an integrated business and support services model
- £20 million from implementation of a locality based service delivery model.

55. A key workstream across the programme is organisational restructuring, with the council implementing a revised locality based structure, focused on front line service delivery. The outline business case presented in January 2015 anticipated a move to this structure would reduce full time equivalent (FTE) staff numbers by over 1,200, with a significant number of these arising from management de-layering. Following review of the programme progress to date, the council intends to accelerate the pace of the core programme around this workstream in order to minimise uncertainty and realise benefits earlier than planned.

Capital programme 2014/15

56. The council approved its capital programme for 2014/15 in February 2014. Actual spend on the general services capital programme (excluding trams) amounted to £150.8 million, against a planned spend of £141.7 million. Spend on the housing capital programme amounted to £37.3 million against a budget of £45.7 million.

57. The general services expenditure was concentrated on school build, refurbishment and repair, roads and infrastructure work including trams, and developing social housing through the housing development fund. The housing programme focused mainly on investing in new council homes and enhancing existing assets.
58. There was some slippage within certain projects in the general services programme, most notably £2.6 million on the Boroughmuir High School replacement, however this was offset by accelerated spend on asset management works across the council estate. The housing programme has slipped for two main reasons. The workload of individual contractors was controlled during the year to maintain contract performance in relation to customer complaints. In addition, the council introduced a Housing Asset Management framework contract in the summer of 2015, and some major works scheduled in the programme were held back to 2015/16 so they could be packaged into the framework contract.

Asset Management

59. The council's transformation programme will have significant implications for the council's estate as it moves to a locality based delivery model. An asset management strategy workstream is underway, looking to provide a fit for purpose estate and sustainable delivery organisation.
60. The council approved a revised corporate asset strategy in May 2015. The strategy sets out the council's vision for its property estate and provides a framework for identifying the investment needs in relation to the condition of the estate and service priorities.

61. Current financial projections indicate that property expenditure is likely to exceed the council's affordability baseline by £124 million over the next 10 years unless substantial steps are taken to reconfigure the estate and its management. A business case on this workstream is due to be presented to committee in September 2015.

Recommendation 3

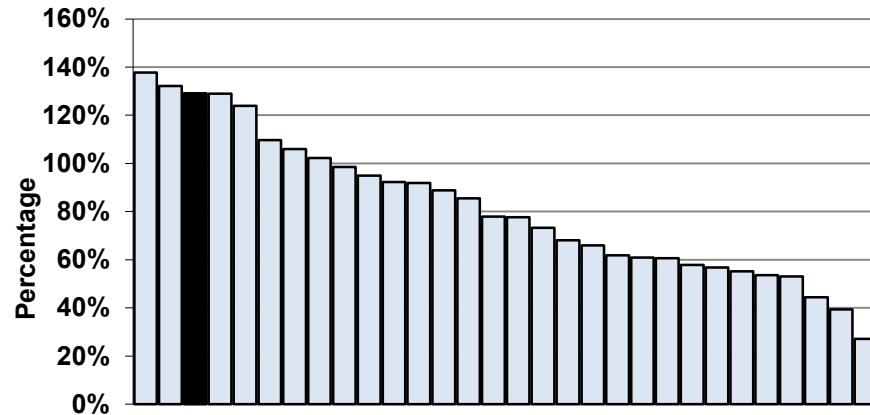
Workforce Management

62. Effective workforce management is essential to ensure that the council maximises the effectiveness of its employees, particularly through a period of change. A workforce strategy is key to setting out how the council will ensure it has appropriately skilled people in place to deliver its services. Previous Best Value reports have commented on the lack of workforce strategy in the council.
63. Following the establishment of the council's transformation programme, a workforce strategy was developed to support the future organisational structure and service delivery arrangements. The strategy focuses on three core areas:
- a skilled and flexible workforce
 - talent and succession planning
 - inclusive leadership.
64. The council has developed a high level workforce implementation plan which, along with a range of employee engagement approaches, it will follow and monitor with the aim of embedding the workforce strategy and achieving workforce related savings.

Treasury Management

65. At 31 March 2015 long term borrowing stood at £1,361 million, a decrease of £43 million on the 2014 borrowing level of £1,404 million. During the same period, short term borrowing increased from £58 million to £79 million.
66. This external borrowing position is in line with the council's Treasury Management Strategy for 2014/15, which was to make use of internally generated funds before using long term borrowing facilities. The only external long-term borrowing in the year was an interest free loan of £2 million specifically for energy efficiency street lighting projects.
67. Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the council. Exhibit 3 shows long term borrowing as at 31 March 2015 as a percentage of net revenue stream (including HRA income) for the year for all mainland councils in Scotland.

Exhibit 3: Scottish councils' long term borrowing as a percentage of net revenue streams



Source: Scottish councils' unaudited accounts 2014/15 (excluding Orkney and Shetland Island councils)

68. The council has appeared at the top end of the range relative to other Scottish councils for a number of years as a result of borrowings made in relation to a number of significant capital projects in recent years: the completion of the trams project, the purchase of Waverley Court, the acquisition of the assets of EDI and Waterfront Edinburgh. The council does not receive direct income streams in relation to these assets and this therefore increases the council's net debt to net revenue ratio.

Pension liability

69. The net assets on the council's balance sheet have decreased from £1,786 million in 2013/14 to £1,646 million in 2014/15, a reduction of £140 million. The principal reason for this decrease is the £192 million increase in the pension liability from £535 million to £727 million. This is also reflected in the balance sheet for the group.
70. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost. At the last triennial valuation at March 2015 the Lothian Pension Fund was 91.3% funded and had assets of £4.4 billion.
71. Lothian Pension Fund operates a contribution stability mechanism, to provide some certainty of future contribution rates by employers while ensuring appropriate assurance of funding levels to the Fund. The mechanism is in place for 6 years, and is subject to on-going review. Existing contribution rates for the council have been frozen at the rates determined for the 2011 actuarial valuation. Over the longer term it is expected that these contribution rates will increase convergence between the pension liability and the underlying assets.

Conclusion on financial sustainability

72. The council is containing overall expenditure within annual budgets and has longer term financial plans in place which go some way to addressing the financial challenges it faces in the coming years. However, the council needs to ensure it manages existing financial

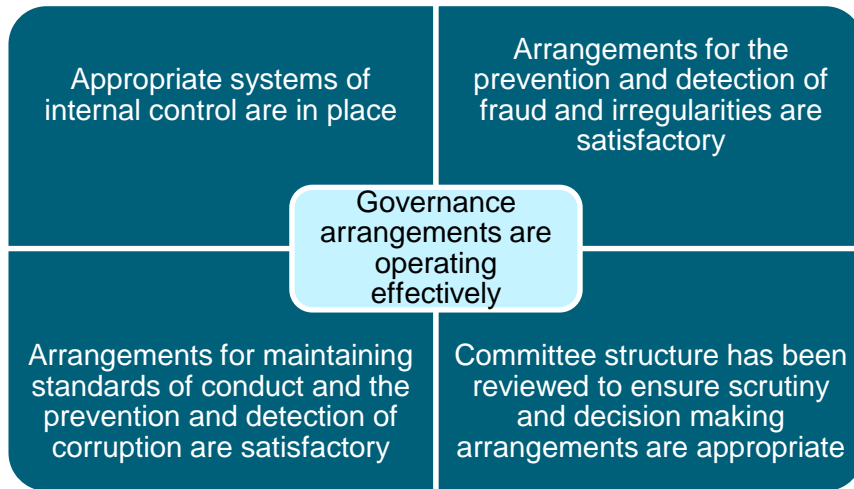
pressures within the system, particularly around Health and Social Care and asset management.

73. Overall we conclude that the financial position is sustainable currently and in the foreseeable future, although risks remain around key assumptions and delivery of savings, including the identification of further savings to bridge the funding gap.

Outlook

74. Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms to £10.3 billion. At the same time, demand for council services has increased, largely due to population changes. Increased pension contributions and national insurance changes will create further cost pressures on the council.
75. In common with many other councils, City of Edinburgh Council is reporting gaps between income and the cost of providing services over the next few years. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances.

Governance and transparency



76. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that the council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

77. Citizens should be able to hold the council to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources. Overall we concluded that the council has appropriate arrangements in place to demonstrate transparency.

Corporate governance

78. The corporate governance framework in City of Edinburgh Council is centred on the council and supported by nine executive committees, including the Corporate Policy and Strategy Committee and the Governance, Risk and Best Value Committee.

79. Since the introduction of the revised political management arrangements in October 2012, the council has undertaken two reviews to ensure they remain fit for purpose. One significant change took place during the financial year, with the responsibility for policy review and development transferring back to executive committees.

80. Based on our observations and audit work our overall conclusion is that the council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Local code of corporate governance

81. The council has developed and adopted a corporate governance framework which reflects the key components as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. The council's self-assessment against the framework is considered annually by the Governance, Risk and Best Value Committee.
82. The council assessed itself as compliant with most areas of the framework for 2014/15. Improvement plans are in place to develop areas such as community engagement and consultation, where the council consider they are only partly compliant with the framework.

Internal control

83. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.
84. We reported our findings to the Governance, Risk and Best Value Committee in August 2015. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. However we did amend our planned financial statements procedures to take account of some system limitations identified during our controls review. Our

findings also included a number of recommendations to enhance the control systems in operation.

Internal audit

85. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
86. Our review of internal audit concluded that the internal audit service operates satisfactorily in accordance with the Public Sector Internal Audit Standards. We placed reliance on their work around ICT application security for key financial systems, as well as work on the accounts payable system and procurement card expenditure.

ICT audit

87. A key part of the council's ICT and Digital Strategy is the procurement of a new ICT contract that provides more flexible, scalable delivery of services at a lower cost base. Following the design and tender phase, a contract was awarded to CGI in August 2015. The transition and transformation phase, involving the transfer of services from BT to CGI has commenced and will continue until 1 April 2016. As part of our ICT work, we considered the high level arrangements the council is putting in place for the transition phase.

88. The council has opted for a gradual transfer of services from late 2015 through to the 1 April 2016 start date, although provision has been made for access to the BT data centre until 1 July 2016 to transition any outstanding services.
89. New services that will be provided include the provision of business intelligence. Council staff will work with CGI to define their respective business intelligence requirements. This approach will allow staff from CGI to work with council representatives, share information, build relations and develop a mutual understanding of the legislative requirements and organisational demands that will need to be met by the contract.
90. During the coming months the council will be preparing for an Enterprise Resource Planning (ERP) system that is scheduled for autumn 2016. The ERP system will be a key organisational initiative that will be delivered as part of the contract. The introduction of ERP systems often requires significant organisational change, and impact on the procedures and processes used across service areas. The council will need to ensure there is sufficient staff capacity and capability during this period to meet the challenge presented when introducing ERP.
91. The overall effectiveness of the CGI contract can only be measured and monitored as systems are transitioned and new solutions are introduced to meet the demands of the council's services. The council needs to ensure robust monitoring and control arrangements are in place for the duration of the contract around areas such as
- governance

- deliverables and contingency
- budget monitoring
- contract and partner management procedures.

Recommendation 4

Statutory repairs service

92. In June 2014, the council established a single corporate project to address legacy issues around the former statutory repairs service, and lead on the development of a new shared repairs service. A dedicated programme board was established with the Director of Corporate Governance appointed as the Senior Responsible Officer.
93. Monthly progress reports are submitted to Finance and Resources Committee, outlining the council's progress on billing of outstanding invoices, debt recovery, and resolution of complaints and settlements.
94. By August 2015, case reviews had been completed on the 414 unbilled projects and 102 complex complaints cases within the scope of project. Invoices have now been issued for these projects, with the exception of a small number of cases where defect work has still to be completed. It is anticipated that these cases will be invoiced in autumn 2015.
95. Alongside this, the council has been progressing the resolution of complaints. A settlement provision of £3.9 million was established at 31 March 2014, to provide for costs that may arise from resolving

complaints. A total of 1,644 settlement letters were issued by July 2015, resulting in 1,142 individual cases being determined by the council as closed. Follow up letters have been issued on the 501 remaining open cases. The total value of settlement offers made by the council to individuals at July 2015 was reported as £2.91 million. Acceptance levels by complainants have been reported as 69%, with other affected owners at 70%.

96. In December 2014, the council considered a blueprint for a new shared repairs service. The key objectives of the proposed service are:
- to maintain the fabric of the city, the conservation of the built heritage and protection of health and safety
 - to support, encourage and enable owners to proactively take responsibility for planning and organising repairs and maintenance
 - to intervene when owners have exhausted all other reasonable means of agreeing and undertaking a repair
 - to effectively manage the council's financial and reputational risk as it carries out its statutory duties and powers.
97. The proposed service will cover four key areas: emergency service, guidance and advice, intervention and enforcement. The council approved the running of a pilot of the new service from September 2015 to March 2016. This pilot will test the practices and procedures set out within the blueprint, in advance of a potential roll-out of the full service from 1 April 2016.

Edinburgh trams

98. In June 2014, the Scottish Government announced a public inquiry into the delivery of the trams project. A ten stage process has been set out by the inquiry, from announcement of the inquiry through to production of a final report and recommendations. The council is committed to fully participating in the inquiry. However it has decided not to re-establish tie Ltd, the arms length organisation which was responsible for project managing the delivery of the trams project, in order that tie can participate as a separate entity in the inquiry. The council state that they consider this to be an unjustifiable expense to the public purse. The council has advised the inquiry that it will assist the inquiry and provide information to it in relation to the role of tie. Stage 5 of the process, the preliminary hearing, is due to be held shortly.
99. The trams network became operational on May 2014. Almost five million passenger journeys were made in the first full year of operation, around 370,000 ahead of target. Revenue from fares was 3% ahead of the business model target.
100. In June 2015, the council considered an interim report detailing the preliminary findings of an outline business case for extending the trams network to Leith. The report set out four different options, and concluded there was a positive economic case for three of these. However, more detailed analysis of the cashflows was required to verify the financial models, along with consideration of alternative funding options and opportunities. A further report on the business case will be reported back to council in the autumn of 2015.

101. We have previously commented that an impairment review on tram vehicles may be required, to reflect that some vehicles may be surplus to requirements given the current network is smaller than planned. In lieu of any decision on extending the network, the council has continued to utilise all tram vehicles evenly across the existing network. We are satisfied that the existing valuation and classification of vehicles is reasonable, and we will reconsider this position following the council's further consideration of the outline business case later this year.

Arrangements for the prevention and detection of fraud

102. Overall, we concluded that the council's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.

National Fraud Initiative in Scotland

103. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.

104. During 2014/15 we reviewed the progress being made by the council in following up NFI data matches. Our work identified that

- the council's overall arrangements and progress have improved compared to our previous assessments, although there was some scope for improvement in the monitoring and reporting of progress
- the introduction of the corporate fraud team has resulted in an improved focus on progressing the NFI exercise this year, although constraints remain within service areas around resourcing the exercise
- there has been a conscious decision to focus on the recommended matches, as outcomes previously have been limited
- the council have commissioned their own data matching to focus on areas where they feel they now get more of a return than the existing NFI process.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

105. The arrangements for the prevention and detection of corruption in City of Edinburgh Council are satisfactory and we are not aware of any specific issues that we need to record in this report.

Correspondence referred to the auditor by Audit Scotland

106. One of the roles of the local auditor is to follow up, where appropriate, items of correspondence received from members of the public who express concerns over council activities. We received a number of items of correspondence during the year, particularly around statutory repairs. We have considered these in relation to our statutory responsibilities as auditors and responded to correspondence as matters are addressed.

Transparency

107. Citizens should be able to hold the council to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources.

108. Through our audit approach we gave consideration to:

- the clarity and presentation of the council's committee papers, budget monitoring reports and financial statements
- the frequency with which the council excludes the press or public from agenda items under the Local Government (Scotland) Act, 1973
- the council's approach to public performance reporting
- the accessibility of information via the council website.

109. Overall we concluded that the council has appropriate arrangements in this area.

Freedom of Information/Environmental Impact Regulations requests

110. The total number of freedom of information/environmental impact regulations (FOI/EIR) requests received by the council during the year was 2,753 (2,767 in 2013/14). The council responded to 90% of these within the 20 working day target for responses, an improvement on the previous year (87% in 2013/14).

111. The council has taken a number of steps during the year to enhance its FOI arrangements, including applying the Scottish Information Commissioner's self-assessment toolkit, approving and implementing an FOI policy and toolkit, and introducing mandatory training for all areas of information governance. Following the issue of a revised Code of Practice by Scottish Ministers in December 2014, the council has also assessed its arrangements against the updated Code.

Integration of health and social care

112. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland.

113. The integration scheme for the Edinburgh Integration Joint Board (EIJB) was approved by Scottish Government in May, and the EIJB was established by Scottish Parliament on 27 June 2015. It is estimated the combined budget for the 2015/16 transition year of the EIJB will be around £560 million, with around £200 million coming from council funds.

114. The council is progressing a number of workstreams in advance of the planned formal delegation of functions and resources to the EIJB on 1 April 2016. At its first meeting on 17 July, the EIJB appointed additional members to supplement the council and NHS Lothian membership, and approved a draft strategic plan for consultation. The EIJB intends to approve a final version of its strategic plan by December 2015. A process is also underway to appoint the Chief Officer of the EIJB, with the successful candidate likely to be in post in early 2016.

Recommendation 5

Welfare Reform

115. The council continues to demonstrate commitment to monitoring and minimising the impact that changes to the UK welfare system could have on the City of Edinburgh and its residents, and is managing the challenges within allocated resources.
116. The council intends to review its strategic plan, *Delivering Social Security in Edinburgh – a strategic response to Welfare Reform*, to ensure it provides effective management of welfare reform in the city. Alongside this, new governance arrangements are being introduced to strengthen the management of welfare reform through existing council and partner arrangements, with group projects now reporting through the Welfare Reform Working Group.
117. The phased implementation of Universal Credit (UC) for new single claimants in Edinburgh commenced on 9 March 2015, with 1,190 claims for UC made in the period to 28 May 2015. The council has established a Delivery Partnership Agreement (DPA) with the Department for Work and Pensions (DWP), to support citizens in the transition to the new UC system. The DPA operational group, which includes council, DWP and registered social landlord representatives, meets regularly to agree processes and address emerging issues from the implementation of UC.
118. The DWP has confirmed that funding arrangements for the Council Tax Reduction Scheme (CTRS) will continue into 2015/16. The settlement and distribution group continue to consider the distribution of CTRS funding and will advise local authorities accordingly of any adjustment to funding levels. The council's spend on CTRS is monitored monthly, with an annual spend of £25.6 million in 2014/15, representing 96% of the agreed funding level.
119. Scottish Welfare Fund (SWF) and Discretionary Housing Payment (DHP) awards in 2014/15 were contained within funding levels of £2.2 million and £4.8 million respectively for the year. The SWF underspend of £0.1 million has been carried over to supplement 2015/16 grants. For 2015/16, the council is currently projecting DHP spend at 98% of the £3.9 million allocated budget.
120. The council reported housing rent arrears of £4.3 million in 2014/15, an increase of £0.3 million from 2013/14. In line with the Housing Revenue Account (HRA) business plan, full provision has been made for these arrears in the 2014/15 accounts (76% in 2013/14), to help manage the potential impact of welfare reform on HRA.

Housing and council tax benefits performance audit

121. Our 2012 risk assessment of the council's benefits services identified a number of risks in relation to performance monitoring and the speed of processing new benefits claims and changes of circumstances.
122. In 2013/14, the council reported improved processing performance, and our 2014/15 benefits risk assessment confirmed that the council has put in place appropriate processes to improve the other outstanding issue around its risk based approach to data checking.

Following the Public Pound

123. In March 2015, the chair of the Accounts Commission for Scotland sent letters to council leaders and chief executives encouraging them to apply the Code of Guidance on Funding External Bodies and Following the Public Pound (published in 1996) more consistently across Arms-Length External Organisations (ALEOs).
124. In 2012, the council instigated an operational governance review, which included consideration of existing ALEOs. In our July 2014 review of the council's ALEOs we concluded that the revised governance arrangements being put into place were in line with good practice outlined in Audit Scotland's 2011 national study on ALEOs.
125. At the time of the review the time we were unable to test whether member scrutiny of performance had been fully implemented, as

some ALEOs had still to complete their annual reporting cycle. We have since confirmed that the annual reports for both Marketing Edinburgh and Festival City Theatres Trust have been scrutinised at the appropriate committee of the council.

126. By autumn 2015 Audit Scotland, on behalf of the Accounts Commission for Scotland, will undertake a review of the Following the Public Pound Code in conjunction with an update of the definition of ALEOs to assist councils to apply the principles of good governance to the funding arrangements for ALEOs and similar bodies. Any changes arising out of this review are not expected to take effect for councils until 2016/17 at the earliest.

Local scrutiny plan

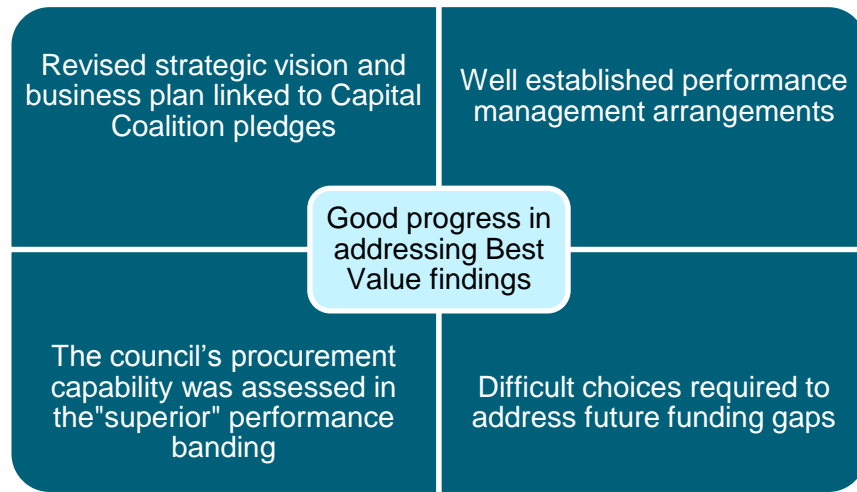
127. The 2015/16 Local Scrutiny Plan (LSP) prepared by the Local Area Network of scrutiny partners for the council was submitted to City of Edinburgh Council in April 2015.
128. In the LSP we highlighted a number of on-going scrutiny risks that we reported in our December 2014 follow-up to the 2013 Best Value report on City of Edinburgh Council. These areas included:
 - the delivery of required financial savings
 - management capacity within the council
 - the development of a comprehensive workforce strategy.
129. Our assessment of the council's progress in addressing these identified risks is included in the Best Value section of this report. A more detailed progress report will be issued by the Controller of

Audit and considered by the Accounts Commission by the end of this year.

Outlook

- 130.** Councils will continue to operate in a changing environment within continuing financial constraints. Under these circumstances councils will be obliged to consider the delivery of services by different means. Good governance will be particularly important where council resources and service delivery are devolved to third party organisations.
- 131.** Partnership, joint working and arms length organisations have become increasingly popular vehicles for planning and delivering council services and there is a sustained national focus on their use. Where council services are being delivered by third party organisations it will be crucial that the council implements robust assurance and governance arrangements to deliver best value while at the same time ensuring an appropriate level of accountability for public money. Community planning and health and social care integration will require an on-going focus on governance and assurance to ensure that the council's priorities are being achieved.

Best Value



- 132.** Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Best Value audit

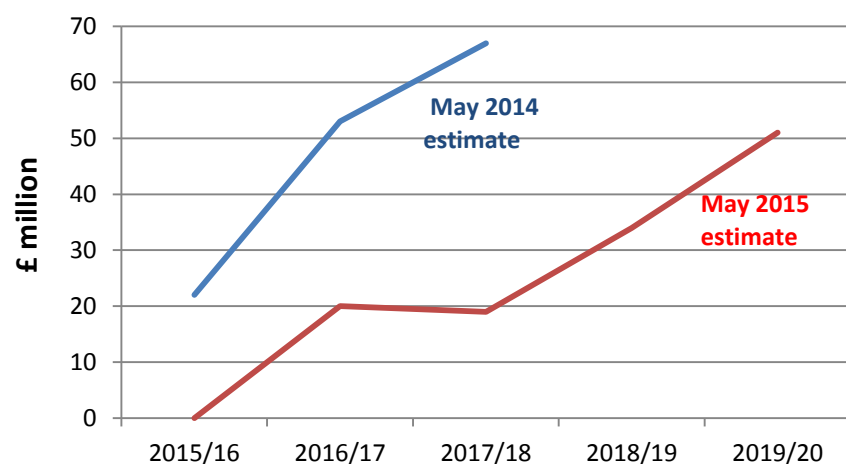
- 133.** In December 2014, the Accounts Commission made findings on the extent to which the City of Edinburgh Council was meeting its statutory duties on Best Value. This considered the progress made in addressing the issues raised in the initial report in May 2013. The Accounts Commission acknowledged the good progress made by

the council in scrutiny and risk management. Improvements in service performance and in communications with staff were also noted.

- 134.** Major concerns, however, remained about the council's financial position and the growing scale of the savings needed to resolve this. The savings that had still to be identified in order to provide a balanced budget by 2017/18 had increased from £17 million to £67 million. The council was addressing this issue, particularly through the development of an ambitious transformation programme. But it was too early to assess the effectiveness of this initiative. Significant concerns were also expressed about the lack of a workforce strategy and the need to improve ICT arrangements.
- 135.** Audit work was carried out during July and August 2015 to assess the progress made by the council since the publication of last year's follow-up report.
- 136.** There is clear evidence to show that the council has had some success in addressing its financial position. It continues to face increasing demands on its services and continuing uncertainty about future funding levels. Despite these pressures, however, the council was able to:
- achieve its overall planned savings of £39 million for 2014/15,
 - underspend its revenue budget by £0.7 million, and
 - maintain its level of unallocated reserves.
- 137.** Perhaps even more importantly, there is also evidence to show that the council has improved its longer-term position. The previous audit

report had expressed particular concern at the increasing level of savings that the council needed to identify for the coming years. As shown in exhibit 4, the level of these unidentified savings has now reduced. At the time of our last report, the council still needed to identify £67 million of additional savings by 2017/18. This has now fallen to £19 million. Despite this encouraging progress, however, the council continues to face significant pressures in future years, with a further £51 million of savings needing to be identified by 2019/20.

Exhibit 4: Additional savings requirements



Source: 'Council transformation programme and improvement plan F&R Committee', May 2015

138. This progress is largely due to the growing impact of the council's various improvement projects, such as Better Outcomes through

Leaner Delivery (BOLD), Organise to Deliver and Channel Shift. These have now been consolidated into a single Transformation Programme, to help avoid the double-counting of planned savings and to present clearer choices for elected members.

139. Most of the progress made over the past year, both in terms of identifying new savings plans and in delivering actual savings, has come from four main initiatives:

- **Workforce strategy** - A workforce strategy was approved in March 2015. This sets out planned reductions in staffing levels, particularly in middle managers. There are early signs of progress in this area, with a two per cent reduction in staffing levels in the second half of 2014/15, saving around £7 million per year. The council plans to make the remaining reductions in Tier 2 and Tier 3 management levels before the end of 2015.
- **ICT contract** - A new ICT contract was signed with CGI in August 2015. The council projects that this will deliver savings of at least £45 million over the next six years. In our view these projections are achievable, given the terms and flexibility of the new contract.
- **Channel Shift** - The council is currently redesigning many of its customer care services, simplifying them and, where possible, moving to online transactions. This is planned to deliver annual savings of £5.9 million, through reducing the number of support staff. There are early signs that this initiative is making an impact, with 40 transactions already available online and savings of £355K over the past year.

- **Organise to Deliver** - The council has created four Localities to help delegate operational decision-making and integrate the delivery of local services. This initiative forms part of the drive to reduce staffing levels and costs. There is clearly merit in these proposals but, in our view, they need to be developed more to provide compelling evidence that they will deliver predicted savings of £20 million.
140. The council has made encouraging progress, but it still faces some significant challenges. With an increasing population, particularly amongst children and the elderly, it continues to face increasing demands on its services. The social care budget for 2014/15, for example, was overspent by £6 million and the underlying pressures have still to be fully resolved. Moreover, the council still has to decide where it can make further savings across all of its areas of activity. It has made good progress, with the level of unidentified savings needed to achieve a balanced budget for 2017/18 reduced from £67 million to £19 million. But, with continuing pressures on services, the council estimates that it will need to identify recurring savings of £51 million in order to balance its budget by 2019/20.
141. The council is trying to take a more strategic approach to these issues, with elected members taking increasing ownership of the transformation programme. For the first time, for example, it is aiming to agree a balanced budget for the next four years. But, in order to achieve the level of savings that are needed, the council knows that it needs to go beyond efficiencies in support services and make some difficult choices to match resources to priorities. Proposals are currently being developed on rationalising the

council's estate and working more closely with partners for some of the related support functions. The council is also starting to consider services which might be reduced or even stopped. Elected members are expected to decide on these proposals by the end of 2015.

142. A more detailed progress report will be issued by the Controller of Audit and considered by the Accounts Commission around the end of this year. This will be based on the audit work already completed, but it will also provide an opportunity to highlight the extent of any additional progress by the council over the next few months.

Procurement

143. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. The council reported a 2014 PCA assessment score of 76% (59% in 2013) against the average score across Scottish councils of 62%.
144. The annual PCA is being replaced by the Procurement & Commercial Improvement Programme (PCIP) which focuses on the policies and procedures driving procurement performance and the results they deliver. PCIP will introduce a revised assessment methodology and new scoring and performance bands with councils being assessed every two years. The revised assessment results will not be comparable with the previous PCA scores. The timings of the first assessments for local government have not been finalised

but it is anticipated they will be conducted between January and June 2016.

Collaborative working

- 145. The council is a member of the Scottish Cities Alliance, a collaborative group of local authorities and Scottish Government which aims to create conditions for economic growth and attract inward investment.
- 146. Following a review by the Alliance in 2014 of possible funding models to support growth, the council has been developing proposals with other Lothian and South East Scotland authorities to secure £1 billion of infrastructure funding across the region. It is hoped that this funding will generate up to £3.2 billion of private investment. A bid was submitted to the Scottish and UK governments in September 2015.

Performance management

- 147. The council has a well established performance framework that links its business plan to the political outcomes set out in the Capital Coalition Pledges, as well as to the partnership and operational outcomes set out in the Edinburgh Partnership Single Outcome Agreement and the council's operational plans.
- 148. To ensure it remains fit for purpose, the 2015 business plan has been updated to reflect the strategic vision set out in the council transformation programme. Existing corporate dashboard indicators

have been re-aligned to the themes and priorities described in the revised business plan.

- 149. An annual planning and performance report on the council's strategic planning framework is reported to the Corporate Policy and Strategy Committee, along with six-monthly performance against dashboard indicators. Six monthly performance reports on the relevant dashboard indicators are also presented to the appropriate executive committees.
- 150. The council also participates in the Local Government Benchmarking Framework (LGBF) which brings together performance indicators for a range of services as well as service costs and customer satisfaction.

Overview of performance targets in 2014/15

- 151. The council assesses achievement of its high level commitments through a set of 53 Capital Coalition pledges. Achievement of these pledges is linked to a range of detailed dashboard and operational performance indicators.
- 152. The most recent progress report highlighted that as at April 2015, 43 pledges were either achieved or on track for delivery (39 at April 2014). Within this, two pledges around partnership working in drug and alcohol treatment, and festival and event development were reassessed as "on track" rather than achieved. This change of status was made to recognise that further work is required to meet these commitments over the longer term.

153. The council has assessed that eight of the remaining pledges, whilst not achieving certain key milestones within target, are still on target for delivery overall. Only one pledge, around the possible introduction of low emission zones, has been categorised as still under development. A further updated report will be presented to committee in November 2015.

Statutory performance indicators (SPIs)

154. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.

155. For 2014/15 three (SPIs) were prescribed:

- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covering a range of information relating to service performance
- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

156. Overall we concluded that the council's arrangements were satisfactory.

157. An evaluation of all Scottish councils' approaches to public performance reporting was carried out by Audit Scotland's

Performance Audit and Best Value group during 2014/15 and reported to the Accounts Commission in June 2015. An individual assessment for City of Edinburgh Council was issued to the Leader and Chief Executive in July 2015.

158. The assessment of the council's approach to public performance reporting concluded that it fully met requirements in 18 of the 26 PPR categories, which is a significant improvement from the previous year's assessment. The council demonstrated a clear, structured approach to PPR, with a good level of compliance in relation to corporate and service performance information being reported. The assessment identified some scope for improving existing arrangements including:

- increased consistency of reporting across the organisation
- reporting improvement actions taken
- clearer demonstration of public consultation and its outcomes
- increased accessibility through targeted reporting of performance to the public.

National performance audit reports

159. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2014/15, a number of reports were issued which are of direct interest to the council. These are outlined in **appendix III**. City of Edinburgh Council has processes in place to ensure that

all national reports and their impact on the council are considered by members.

Equalities

- 160.** The Equality Act 2010 introduced a new public sector 'general duty' which encourages equality to be mainstreamed into public bodies' core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
- 161.** The council's progress report on its frameworks for advancing equality and rights, and tackling poverty and inequality, was published on its website in April 2015, and considered by the Communities and Neighbourhoods Committee in May 2015. The report noted that 15 of the 23 defined equality and rights outcomes were assessed as being met in full, with 6 partially met. The remaining 2 outcomes will be reviewed in the coming months to establish whether there is sufficient data to measure the outcomes and they remain fit for purpose.

Outlook

- 162.** In common with other councils, City of Edinburgh Council faces the key challenges of reducing budgets, an aging population with higher levels of need and the public expectation of high quality services. Longer term savings plans have been developed, but there is continuing uncertainty around future funding levels. The transformation programme to deliver a community focused

operating model will result in service delivery with a redesigned and reduced workforce. A strong and effective performance management framework will be critical to the success of the council achieving its key priorities and achieving best value.

Appendix I – Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Income</p> <p>The council receives a significant amount of income in addition to SG funding.</p> <p>The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> • Assessment of systems of internal control • Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk. 	<p>We reviewed control arrangements and undertook detailed testing of income streams. No frauds were identified.</p>
<p>Management override of controls</p> <p>ISA240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business. 	<p>We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness. We did not identify any incidents of management override of controls.</p>

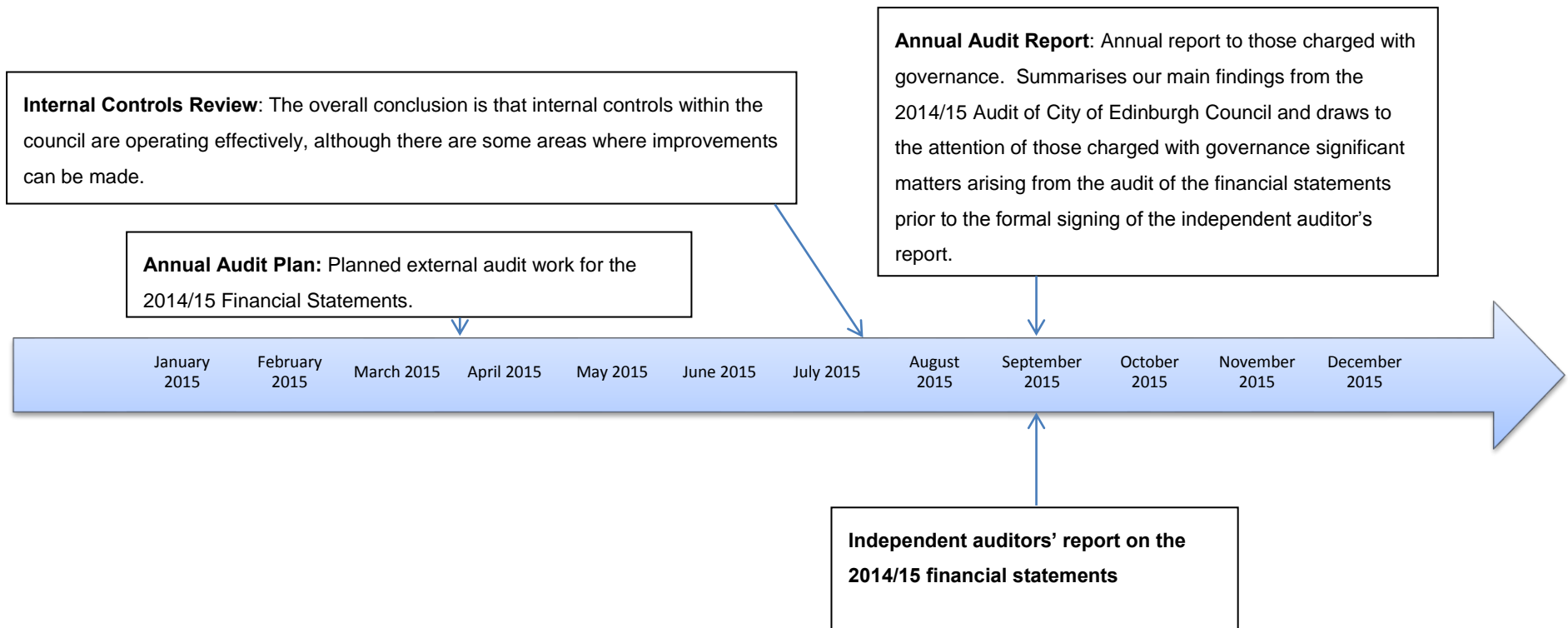
Audit Risk	Assurance procedure	Results and conclusions
<p>Tram project expenditure</p> <p>The council incurred revenue costs during 2014/15 in relation to preparing for tram operations, giving rise to a risk of misclassification of expenditure between capital and revenue.</p>	<ul style="list-style-type: none"> • Review of reports and papers on project expenditure • Discussion with council officers • Substantive testing of a sample of revenue costs 	<p>We reviewed council reports on tram expenditure and undertook substantive testing on tram expenditure. No mis-classification was identified.</p>
<p>Trams valuation</p> <p>Tram vehicles will transfer from assets under construction to operational assets in the 2014/15 financial statements.</p> <p>There is a risk that they may not be reflected at an appropriate fair value within the financial statements.</p>	<ul style="list-style-type: none"> • Discussion with council officers • Review of committee papers and reports on potential extension of the tram network • Review of papers and other appropriate evidence on valuation 	<p>We reviewed council reports on decisions on future development of the network. We considered the valuation of the trams in the financial statements and concluded that it was appropriate.</p>
<p>Statutory repairs</p> <p>Although progress has been made in dealing with unbilled work, the delays to date mean that the debt has aged further, increasing the risk of non-recovery.</p>	<ul style="list-style-type: none"> • Review of reports and papers on progress of billing and collections (including bad debts) and complaints resolution • Discussion with council officers • Review of statutory repairs balances and provision within the financial statements along with supporting evidence 	<p>We reviewed reports to members and related papers on statutory repairs billing progress, and discussed the position with officers. We reviewed the bad debt provision included in the financial statements and concluded that it was appropriate based on the information available.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Group structure</p> <p>The council did not formally document its group boundary assessment after changes to the group structure in 2013/14 and there may be further changes to the group structure in 2014/15 as a result of new group accounting standards within the Code. There is a risk that the council's group accounts do not comply with new accounting standards.</p>	<ul style="list-style-type: none"> • Review of reports and papers on progress of review of group structure • Discussion with officers • Liaison with external auditors of group companies 	<p>We reviewed the council's assessment of the group boundary for 2014/15. We met with component auditors to discuss matters arising from the audit of group companies.</p> <p>We concluded that the group boundary was appropriate.</p>
<p>Significant Trading Organisations (STOs)</p> <p>In our 2013/14 independent auditor's report we drew attention to the fact that the council's significant trading operation, Edinburgh Catering Services – Other Catering, failed to break even, on a cumulative basis, over the three year period ending 31 March 2014. There is a risk that the action plan implemented by the council may not result in the STO consistently achieving the requirements of section 10 of the Local Government in Scotland Act 2003.</p>	<ul style="list-style-type: none"> • Monitor the on-going financial position reported to committee • Review the outturn position and cumulative break even as part of financial statements audit • Substantive testing of income and expenditure streams as part of financial statements audit 	<p>We reviewed reports to committee on the financial position of the STO and the planned action to address the deficit. We tested income and expenditure streams as part of our wider testing strategy. No material misstatements were identified.</p>
<p>Valuations</p> <p>The financial statements of City of Edinburgh Council include valuations which rely on significant assumptions and estimates. The extent of subjectivity in the measurement and valuation of these balances represents a risk of material misstatement.</p>	<ul style="list-style-type: none"> • Completion of 'review of the work of an expert' for the professional valuer • Focused substantive testing of key areas 	<p>We reviewed the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts.</p> <p>No material misstatements were identified.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Finance restructuring</p> <p>An organisational review of finance services was completed during the financial year, resulting in a number of staff changes in key posts. There is a risk that these changes could impact on the delivery of the 2014/15 accounts timetable.</p>	<ul style="list-style-type: none"> • Monitoring developments • Scheduling of audit work to take account of timetable and availability of staff • Progress meetings with Principal Accountant and Senior Accountant 	<p>We agreed a financial statements timetable with officers, and scheduled progress meetings on a regular basis to ensure the planned delivery timescales were met.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>Managing financial pressures</p> <p>The council continues to face a challenge in balancing the gap between its planned expenditure and the estimated level of income it will receive through government grants, non-domestic rates and council tax.</p> <p>There is a risk that savings targets are not met and the on-going need to deliver savings may have an impact on services and the delivery of strategic priorities.</p>	<ul style="list-style-type: none"> • Local audit work supplemented by Best Value follow up audit work, including review of monitoring reports and delivery of savings programme 	<p>We followed up on the local Best Value work of 2014 and considered the longer term financial planning arrangements of the council, and progress towards delivering savings plans. We concluded that the council is making good progress in bridging the identified funding gap.</p>

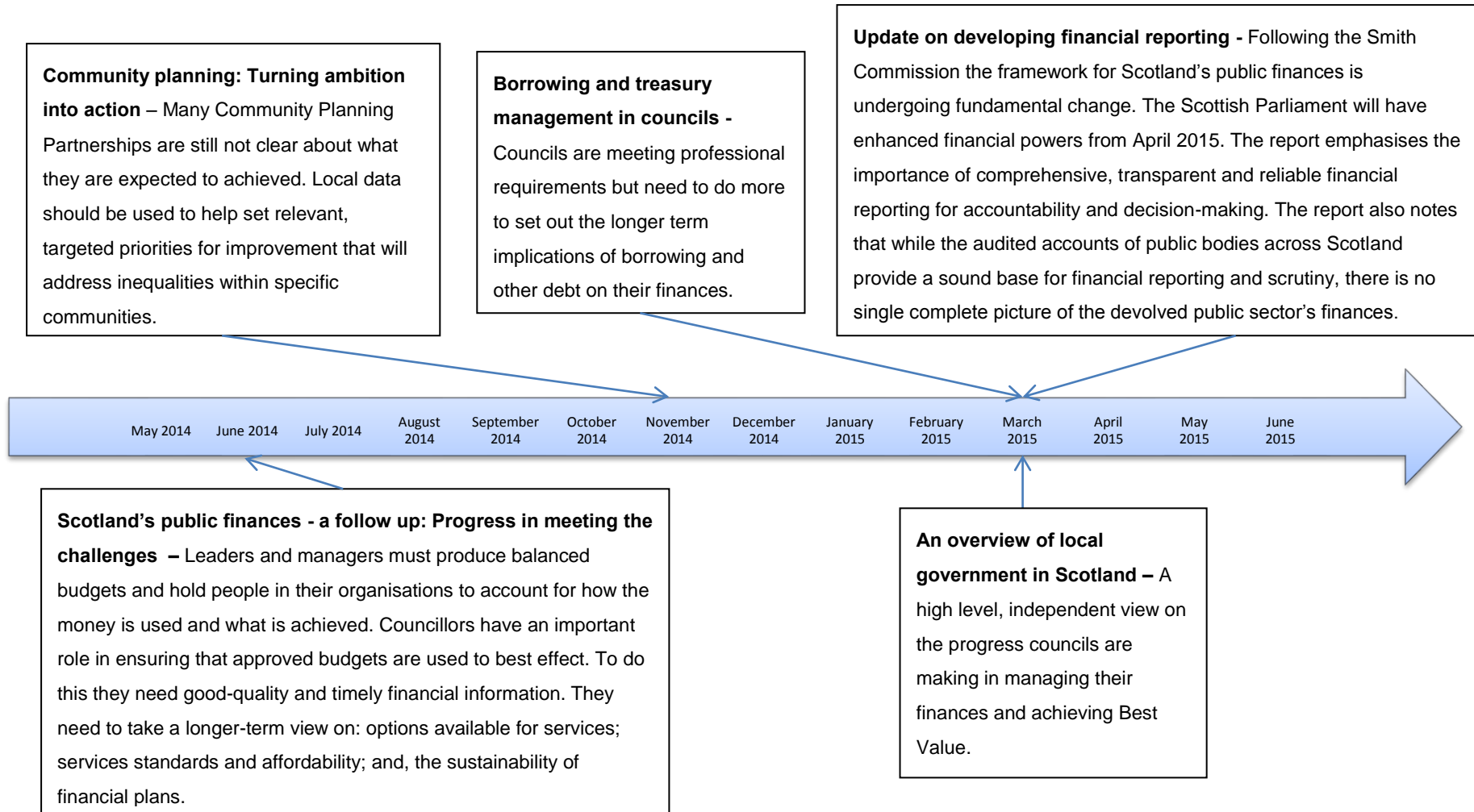
Appendix II – Summary of local reports 2014/15

Summary of City of Edinburgh Council local audit reports 2014/15



Appendix III – Summary of National Reports 2014/15

Summary of Audit Scotland national reports 2014/15



Appendix IV – Action Plan

Action plan

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1 15/35	<p>Health and Social Care overspend</p> <p>The council has identified £16.45 million of funding pressures within the Health and Social Care budget for 2015/16. A mix of corporate and service measures were identified to address the shortfall, however the service savings plan has slipped, requiring further saving proposals to be identified.</p> <p>Risk</p> <p>The council does not achieve its budget for 2015/16 due to continued non-delivery of savings plans.</p> <p>Recommendation</p> <p>Delivery of savings plans is closely monitored to allow early mitigating actions to be taken where necessary.</p>	<p>Service Directors have a responsibility, as set out in the Council's Financial Regulations, to review their budgets on an on-going basis, including tracking the delivery of approved savings and, where appropriate, identifying additional mitigating actions to maintain expenditure within approved levels.</p> <p>Progress in delivering approved savings is regularly considered at Council Leadership Group and on an at-least quarterly basis by the Finance and Resources and relevant Executive Committees.</p>	All Directors	On-going

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
2 18/53	<p>Future funding gaps</p> <p>The council has made progress in addressing the longer term financial challenge through its long term financial strategy and associated savings plans. However a funding gap still exists over the coming years, and this is likely to increase due to current financial pressures around Health and Social Care and asset management.</p> <p>Risk</p> <p>The council may not be able to generate sufficient efficiencies and savings to bridge the funding gap.</p> <p>Recommendation</p> <p>The council should continue to keep its long term financial strategy under review, and build flexibility into future budget exercises.</p>	<p>The Council reviews the expenditure, income and savings assumptions underpinning its long-term financial plan on an on-going basis and reports on an at-least quarterly basis to the Finance and Resources Committee.</p> <p>The draft budget framework to be issued for public engagement in September 2015 will provide for a degree of flexibility in the specific savings options and proposals that are considered by elected members.</p>	Head of Finance	On-going

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
3 20/61	<p>Asset management</p> <p>The council's current estate requires significant investment to maintain it at a serviceable quality. The property requirement under the council's planned locality based service delivery model is unlikely to match this existing estate.</p> <p>Risk</p> <p>The council's property estate is not fit for purpose in relation to condition and configuration. Expenditure is not targeted and prioritised on appropriate assets.</p> <p>Recommendation</p> <p>The council should expedite plans to ensure the council's estate is appropriate and aligned with its service delivery plans.</p>	<p>The Finance and Resources Committee on 24 Sept 2015 will consider a report on a Property and Asset Management Strategy, that will introduce a number measures to release more revenue and capital investment into the Council's estate coupled with a significant rationalisation programme.</p>	<p>Head of Corporate Property</p>	<p>On-going</p>

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
4 25/91	<p>ICT</p> <p>The council has procured a new ICT contract which provides for flexible and scalable service delivery from April 2016. The contract includes new and existing service provision, and the council aims generate savings of £6 million per annum over present costs.</p> <p>Risk</p> <p>Monitoring and control arrangements do not support the overall effectiveness of the contract.</p> <p>Recommendation</p> <p>The council should ensure robust control and performance arrangements that support effective monitoring are developed to cover continuing and new service arrangements.</p>	<p>Governance arrangements will be signed off by the Deputy Chief Executive (Programme Sponsor) and in place by 1st of November</p> <p>Programme reporting controls will be in place for early monitoring of the transition programme</p> <p>Further monitoring of the service will be signed off by the CIO and be in place for service go</p>	Chief Information Officer	<p>November 2015</p> <p>Completed September 2015</p> <p>April 2016</p>

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
5 29/114	<p>Edinburgh Integration Joint Board</p> <p>The Edinburgh Integration Joint Board is currently consulting on its strategic plan for the integration of Health and Social Care in Edinburgh. The draft plan focuses on high level arrangements. More detailed financial and operational plans to direct service delivery will be required prior to the formal delegation of services from the council to EIJB on 1 April 2016.</p> <p>Risk</p> <p>There are delays in the commencement of the Integration Joint Board and achieving the desired outcome of improved services to those in need of care</p> <p>Recommendation</p> <p>The council continues to work jointly with Lothian Health Board in finalising the arrangements for the integration of health and social care.</p>	<p>The current Integration Governance arrangements will continue until the EIJB takes on responsibility for the delegated functions. The Edinburgh Integration Joint Board was established in law at the end of June 2015. It is now operating in its transition year to prepare for delegation of functions.</p> <p>An interim Chief Financial Officer has been appointed to undertake due diligence for the EIJB. The EIJB will be having a development session on financial matters in December (provisional) in support of the strategic plan delivery.</p> <p>Discussions with the Scottish Government are on-going on bridging funding arrangements.</p>	<p>Chief Social Work Officer along with relevant officials from NHS Lothian.</p> <p>Head of Finance along with relevant officials from NHS Lothian</p>	<p>March 2016</p>

Appendix 2

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Governance, Risk and Best Value Committee, City of
Edinburgh Council, and the Controller of Audit

23 September 2015

City of Edinburgh Council Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2014/15 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified
 2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 24 September 2015 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
 3. In presenting this report to the Governance, Risk and Best Value Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
 4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. A number of presentational and monetary adjustments were identified and discussed with senior finance officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to decrease the council and group total expenditure by £0.163 million. Net assets as recorded in the balance sheet have increased by £0.163 million.
-

5. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix B. This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of City of Edinburgh Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of City of Edinburgh Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statement, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash Flow Statements, the authority-only Housing Revenue Account, Council Tax Income Account, Non-Domestic Rates Income Account, the Common Good Fund, and the related notes. 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 2014/15 (the 2014/15 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority 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 2014/15 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.
-

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I required to report by exception

I am required to report to you if, in my 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 the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have the following to report in respect of these matters.

Failure to achieve a prescribed financial objective

Whilst it has not been necessary to qualify my opinion in respect of the following matter, I am required to report it to you.

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 authority failed to comply with this statutory requirement for the three year period ending 31 March 2015 in respect of their Edinburgh Catering Services - Other Catering significant trading operation.

David McConnell, MA, CPFA
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

September 2015

Appendix B: ISA 580 - Letter of Representation

David McConnell, MA, CPFA
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

Dear David

City of Edinburgh Council

Annual Accounts 2014/15

1. This representation letter is provided in connection with your audit of the financial statements of City of Edinburgh Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of City of Edinburgh Council and its group, as at 31 March 2015 and its income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Corporate Leadership Group, the following representations given to you in connection with your audit of City of Edinburgh Council and its group for the year ended 31 March 2015.

General

3. I acknowledge my responsibility and that of City of Edinburgh Council for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by City of Edinburgh Council have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
 4. The information given in the Annual Accounts, including the Management Commentary and Remuneration Report, presents a balanced picture of City of Edinburgh Council and is consistent with the financial statements.
 5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).
-

Financial Reporting Framework

6. The financial statements have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of City of Edinburgh Council and its group for the year ended 31 March 2015.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. The council has assessed City of Edinburgh Council's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed in the financial statements any material uncertainties that have arisen as a result.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Events Subsequent to the Balance Sheet Date

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
 13. Other than as noted in the financial statements, there have been no events or transactions since the Balance Sheet date which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.
-

Corporate Governance

14. I acknowledge as Section 95 Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2015, which require disclosure.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

17. The assets shown in the Balance Sheet at 31 March 2015 were owned by City of Edinburgh Council, other than assets which have been purchased under operating leases and except for certain heritage assets which are held on long term loan to the council. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
18. As noted in the accounting policies to the financial statements, it has not been possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore the balance sheet may hold elements of heritage assets that belong to other entities.

Liabilities

19. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2015.

Carrying Value of Assets and Liabilities

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Provisions

21. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2015 and of which City of Edinburgh Council could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2015.
 22. The council has progressed the review and billing of outstanding statutory repairs work and during 2014/15 has written off £5.2 million in relation to irrecoverable debts. A bad debt provision
-

of £8.9 million exists at 31 March 2015 for non-collectability of the remaining billed and unbilled statutory repairs work. The levels of provision are based on the most recent information on collectability. In addition to this bad debt provision, a provision of £3.7 million exists at 31 March 2015 in relation to potential settlements arising from the process of resolving outstanding statutory repairs complaints. These provisions are estimates based on the best information available, and are kept under regular review.

Yours sincerely

Hugh Dunn, Head of Finance
Section 95 Officer

Appendix 3



2014/2015

AUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2015

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MANAGEMENT COMMENTARY

Basis of Accounts

The Audited Annual Accounts presents the financial position and performance of the Council, together with the financial position of the wider Council Group for the year to 31 March 2015.

The Annual Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice.

Statutory Background

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to just under half a million citizens across the 102 square mile Council area.

Comprehensive further detail of the services provided by the Council is included on its website and within the annual Key Facts and Figures publication.

The Council currently has 58 Councillors representing 17 wards within the city.

Political representation as of September 2015 was as follows:

Labour Party	21 members
Scottish National Party	17 members
Conservative Party	11 members
Scottish Green Party	5 members
Liberal Democrats	3 members
Independent	1 member

The Labour and Scottish National Party groups together form the Capital Coalition for the City of Edinburgh, which is made up of 38 of the 58 Councillors.

The Capital Coalition leads the Council and fills the roles of Lord Provost, Leader of the Council and most committee convenerships.

The Full Council meets once a month and also delegates decisions to committees which meet regularly throughout the year.

Details of the senior councillors' remuneration and committee roles are disclosed in the Remuneration Report from page 136 of these financial statements.

MANAGEMENT COMMENTARY

Corporate Strategy

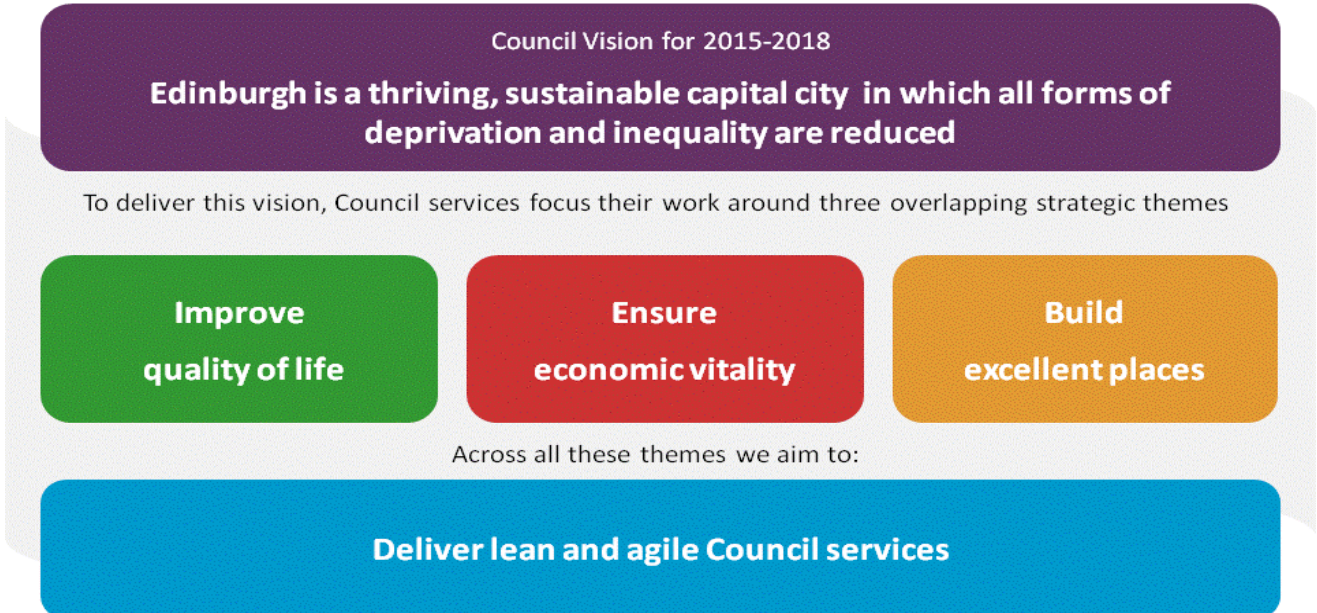
The current Council Strategic Plan was first developed in 2012 and outlines priorities for the period 2012-17. The plan forms the central part of the Council's planning and performance management framework and is reviewed and updated each year to take consideration of new developments, emerging priorities and actions.

To meet this commitment, the 2015 review of the Council Strategic Plan builds on the strategic direction set out in the Council Transformation Programme and the 'Organise to Deliver' reports to refresh the approach the plan takes to communicating the Council's vision and purpose. This refresh is proposed in order to ensure the plan remains fit for purpose through a period of change and promotes staff and customer engagement. The plan seeks to embody clearly and promote the Council values of putting the customer first, being forward-thinking, working together and being honest and transparent. The framework is also intended to demonstrate a clear line of sight to the Capital Coalition pledges, Edinburgh Partnership Community Plan, the Corporate Transformation Programme and more operational delivery plans spanning the Council's service areas.

The draft Council Business Plan for 2015/18 therefore adopts a single vision for the city, shared with all Council partners. To deliver this vision, the plan sets out overlapping strategic themes common to the work of all service areas. These themes set out a commitment for the Council to:

- Improve quality of life
- Ensure economic vitality, and
- Build excellent places.

Across all of these themes, the plan sets out a further common commitment to provide best value and to deliver lean and agile Council services.



Within these themes, the plan also provides an overview of key priority outcomes for the Council, linked to priorities set out in existing service plans and strategies and to key priorities emerging from customer consultation and engagement work.

MANAGEMENT COMMENTARY

Risks and Uncertainty

In 2012, an external review of the Council's risk management arrangements concluded that they were inadequate for an organisation of its size, nature and complexity. The co-sourcing arrangements for the internal audit and risk management service subsequently put in place by the Director of Corporate Governance therefore sought to enhance the Council's capacity and capability in this area and the extent of improvement has been noted in successive external assessments.

Robust risk management ensures that the Council's agreed outcomes, pledges, objectives and service delivery are achieved more effectively and efficiently and that performance will be improved through better-informed decision-making and reduced uncertainty. To this end, a Risk Management Policy and Framework was approved by the Governance, Risk and Best Value Committee in March 2015. This policy sets out the Council's approach to risk management and the activities and responsibilities required to ensure that risk management is embedded comprehensively and consistently across the Council.

Robust risk management is based on a cycle of regular review and update which should be evidenced in risk registers held and maintained by the Corporate Leadership Group (CLG), Service Area senior management teams (SMTs) and, below this, in teams as required by the SMT. Every quarter, service area and CLG risk committees review and challenge the issues and risks arising and update their risk registers appropriately. The CLG and Chief Risk Officer also report on risks and risk management to the Governance, Risk and Best Value Committee which is charged with monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The most recent such update was considered by the Committee on 5 March 2015, setting out the highest-priority risks of the Council, alongside the key controls in place to mitigate them.

The highest-assessed inherent risks i.e. the most significant risks had there been no plans in place to manage them, were:

- the Council has insufficient resources to structure and maintain a capital portfolio that is fit-for-purpose and meets health and safety standards now and in the future;
- the affordability and delivery of the Adult Social Care service, particularly in light of expected demographic changes, could impact on the outcomes and care for the people of Edinburgh;
- the IT infrastructure is not fit for purpose and does not meet the present or future needs of the Council, impacting on the Council's ability to deliver services as expected;
- the Council's transformational change agenda is not implemented effectively with support from elected members and trade unions, resulting in a failure to meet service delivery outcomes and impacting on cost reductions and staff morale;
- the Council does not generate sufficient savings to meet budget targets in the short and longer term, resulting in under-delivery of key services.

The report therefore also set out a range of current, and proposed further, mitigating actions in assessing the residual level of risk to which the Council is exposed.

MANAGEMENT COMMENTARY

Results for the year

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of additional measures, aligned to the Council's priorities, continues to be reported on a monthly basis to the Corporate Leadership Group and half-yearly to the Corporate Policy and Strategy Committee and relevant Executive Committees. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance. Progress is tracked against around forty key indicators covering the full range of Council services, with both absolute levels and trends in performance analysed to identify areas for remedial action and / or dissemination of best practice. Edinburgh-specific performance data for 2014/15 has also been provided through a range of other channels, including the Edinburgh People Survey, audits and inspections. Performance against a range of local-level, "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

Financial Ratios

Financial ratios relating to Council Tax, debt and borrowing are shown below.

Council Tax		2014/15	2013/14	
In-year collection rate	95.40%	94.70%		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	24.78%	24.88%		This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing - Prudence				
Capital Financing Requirement	£1,726.0m	£1,728.5m		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	£1,677.2m	£1,670.6m		External debt levels include long-term, commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability				
Financing costs to net revenue stream - General Fund	11.94%	11.94%		These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream - HRA	34.43%	36.44%		
Impact of capital investment on Council Tax	0.96%	0.18%		These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	-0.10%	1.03%		

MANAGEMENT COMMENTARY

Financial Performance

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 18. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are shown in the Movement in Reserves Statement (pages 14 to 16).

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below. Further details have been provided in the report to the Finance and Resources Committee in August 2015, which is available on the Council's website.

	Budget	Actual	(Under)
	2014/15	2014/15	/ Over
	£000	£000	Spend
			£000
General Fund services	850,075	855,609	5,534
Dividend income (net)	(8,000)	(8,437)	(437)
Loans charges / interest on revenue balances	118,165	114,819	(3,346)
Net contribution to earmarked balances	(1,827)	723	2,550
Total expenditure to be funded	958,413	962,714	4,301
Council Tax	(234,591)	(238,696)	(4,105)
Council Tax Reduction Scheme	26,597	25,785	(812)
Total - Council Tax income account	(207,994)	(212,911)	(4,917)
Community Charge income	0	(65)	(65)
General revenue funding	(386,311)	(386,311)	0
Distribution from non-domestic rate pool	(364,108)	(364,108)	0
Funding	(958,413)	(963,395)	(4,982)
Transfer to Council Priorities Fund	0	(681)	(681)

Fees and charges levied by the Council have been offset against the cost of providing services and are included within the actual cost of General Fund Services shown above.

Budget performance - General Fund

Four of the Council's five main service areas maintained expenditure within approved levels during the year. This was achieved despite on-going increases in demand across a number of areas influenced by demographics and wider social change, including early years and primary school provision and services for at-risk children and older people. While there is clear evidence that the position is improving, economic conditions continue to place additional calls upon welfare-related services whilst also exerting an element of downward pressure on fees and charges income. Recent changes in UK-wide welfare reforms have, in general terms, also increased benefits processing and appeals volumes, as well as contributing to an increase in the overall level of housing rent arrears.

The main variances in the Council's outturn position arose in the following areas:

- An overspend within General Fund services of £5.534m. Within this amount, all services except Health and Social Care returned small underspends against their approved budgets. The additional costs relate mainly to Health and Social Care demand pressures, with these being met from underspends / additional income from other areas of the Council's budget.
- A reduction of £3.346m on loan charges / interest received, mainly as a result of the Council's planned strategy not to undertake borrowing to finance capital investment during the year.

MANAGEMENT COMMENTARY

Financial Performance - continued

- Additional Council Tax receipts, compared to budget, of £4.105m, mainly as a result of additional properties on which tax can be levied, and a reduction in exemptions. A further saving of £0.812m compared to budget was achieved on the Council Tax Reduction Scheme (formerly Council Tax Benefit).
- The Council transferred a net sum of £0.723m to reserves during 2014/15. This includes monies returned from the equal pay provision, which have been set aside in the earmarked balance for contingency funding and workforce management, as shown in note 10.1.
- The surplus of £0.681m returned in 2014/15 was transferred to the Council Priorities Fund, which forms part of the earmarked proportion of the General Fund for contingency funding, as detailed in note 10.1.

Principal Sources of Funding - General Fund

The principal sources of funding used by the Council during the year were:

	£000
Council Tax / Community Charge income (net of Council Tax Reduction Scheme)	212,976
General revenue funding	386,311
Distribution from non-domestic rates pool	<u>364,108</u>
Total	<u><u>963,395</u></u>

Reconciliation to Amounts Reported for Resource Allocation Decisions

Note 32 to the Annual Accounts shows the amounts reported for resource allocation decisions. The service income and expenditure shown in note 32 can be reconciled back to the total shown for General Fund services as follows:

	Expenditure £000	Income £000	Net Expenditure £000	Budget £000
Children and Families	415,268	(23,875)	391,393	391,393
Corporate Governance	120,903	(39,825)	81,078	81,529
Economic Development	17,589	(5,136)	12,453	12,479
Health and Social Care	285,275	(75,038)	210,237	204,359
Lothian and Borders Valuation Joint Board	3,745	0	3,745	3,745
Services for Communities	385,668	(248,352)	137,316	137,316
Net cost of housing benefits	229,642	(202,248)	27,394	29,580
Other non-departmental specific income and expenditure	15,292	2,486	17,778	16,271
	<u>1,473,382</u>	<u>(591,988)</u>	<u>881,394</u>	<u>876,672</u>
General Fund services (as shown on page 6)			855,609	
Council Tax Reduction Scheme (as shown on page 6)			<u>25,785</u>	
			<u><u>881,394</u></u>	

Classification of Community Safety Expenditure

In accordance with guidance issued by LASAAC in December 2014, the Council has not reclassified Community Safety expenditure as Housing Services. The following figures which relate to Community Safety are included in Environmental Services within the Comprehensive Income and Expenditure Statement. Relevant expenditure relates to crime reduction (payments to Police Scotland) and CCTV costs.

	2013/14 £000	2014/15 £000
Relevant Community Safety expenditure included in Environmental Services	3,437	3,461

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 on 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 2015, as part of the 2015-2016 budget setting process. The unallocated General Fund balance remains at £13.025m, which equates to 1.36% of the annual budgeted net expenditure. There were no planned contributions to the unallocated General Fund for 2014/15.

In addition, the Council has a further £104.452m of balances earmarked for specific purposes. Details can be seen in note 10 to the Financial Statements. These are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future. Examples include monies earmarked for equal pay and the insurance fund. The Council holds £56.424m against these future risks.
- Balances set aside, primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £38.705m of income which has been received in advance of planned expenditure.
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances. The Council holds £8.269m of balances for such projects.
- Balances held under the School Board Delegation Scheme (DSM), which permits balances on individual school budgets to be carried forward to the following financial year. The current balance is £1.054m.

In summary, the level of reserves at 31 March 2015, 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.

Housing Revenue Account

The Council has a statutory obligation to maintain a housing revenue account (HRA) which records all income and expenditure for the management of, and investment in, Council homes. All expenditure on homes let by the Council is funded through the rent and related service charges paid by its tenants.

The HRA Business plan supports delivery of the City Housing Strategy by:

- providing high quality housing services to tenants;
- improving the quality of existing homes to meet the Scottish Housing Quality Standard by 2015; and
- building new, energy efficient affordable homes to address the shortage of affordable housing in the city.

Since 2006/07, the HRA has been supported by a rent strategy of annual rent increases to ensure that there was a robust financial framework for delivering the capital investment required to meet the Scottish Housing Quality Standard by 2015. Throughout 2014/15 the Council consulted tenants on their priorities for future investment and rent levels to inform the rent strategy from 2015 onwards.

At the end of 2014/15, the HRA was balanced after making a contribution of £2.503m to the Renewal and Repairs Fund, via the General Fund. These funds are earmarked for future capital investment in new homes through 21st Century Homes and as a contingency to manage the impact of welfare reform. In line with the HRA business plan, an additional £6.1m of debt was paid off in-year.

HRA income pays for housing management services and repairs and maintenance. It also meets the cost of servicing borrowing required for capital investment. Feedback from Council tenants shows a high level of satisfaction with the housing and repairs services, the quality of their homes and the neighbourhoods they live in. Benchmarking shows these results put Edinburgh in the top three Scottish local authority landlords and are as good as, if not better than, the results of other similar sized social landlords across the UK.

MANAGEMENT COMMENTARY

Financial Performance - continued

Housing Revenue Account - continued

The capital programme supports investment in current homes and funds the construction of new affordable homes. The capital programme is funded mainly through prudential borrowing; however capital receipts, capital funded from current revenue and grants (Home Energy Efficiency Programme Scotland) also contribute to capital investment.

Significant progress was made during 2014/15. The Council now complies with the requirements of the Scottish Housing Quality Standard (SHQS). Around 3,000 homes are currently classed as in abeyance, where tenants or neighbours have not agreed to participate in improvements works, these are being prioritised. Significant progress has also been made in delivering new homes through the 21st Century Homes programme. Over 800 new affordable homes are either under construction or in development and a further 400 affordable homes are planned.

The HRA Business Plan is managing emerging risks for future years by reducing revenue costs where possible and ensuring adequate contingency to manage these risks. Actions to manage risk include:

- Robust performance management and benchmarking to allow for comparisons of costs and performance with similar landlords;
- Build uncommitted contingency over coming years to ensure the HRA can react to and absorb short-term impacts on income reduction from welfare reform and support other unforeseen expenditure;
- Reducing the repairs budget, whilst maintaining performance to generate revenue savings;
- Repaying debt to generate revenue savings; and
- Increasing the provision for rent arrears and bad debt to manage the impact of welfare reform.

Capital Expenditure

Capital expenditure is controlled through the Prudential Code that provides the framework for investing in infrastructure. In Scotland, local authorities are required by regulation to comply with the Prudential Code under Part 7 of the Local Government (Scotland) Act 2003. The key objectives of the Prudential Code are to ensure that capital plans are affordable, prudent and sustainable and that treasury decisions are taken in accordance with professional guidance and best practice.

In addition, capital plans must be consistent with, and support, local strategic planning, local asset management planning and proper option appraisal.

The outturn position for capital expenditure is summarised below:

	Revised Budget 2014/15 £000	Actual 2014/15 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	141,735	150,827	9,092
Housing Revenue Account	45,726	37,309	(8,417)
Total capital expenditure	187,461	188,136	675
Capital receipts and other contributions			
- General Fund services	(29,066)	(32,863)	(3,797)
- Housing Revenue Account	(9,872)	(13,228)	(3,356)
Government and other grants			
- General Fund services	(86,949)	(86,989)	(40)
- Housing Revenue Account	(4,219)	(4,260)	(41)
Total capital income	(130,106)	(137,340)	(7,234)
Balance to be funded through borrowing			
- General Fund services	25,720	30,975	5,255
- Housing Revenue Account	31,635	19,821	(11,814)
Total advances from loans fund	57,355	50,796	(6,559)

Expenditure on General Fund services accelerated in total by £9.092m. Accelerated spend related mainly to asset management works projects across the Council estate. Expenditure on the Housing Revenue Account slipped by £8.417m.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure - continued

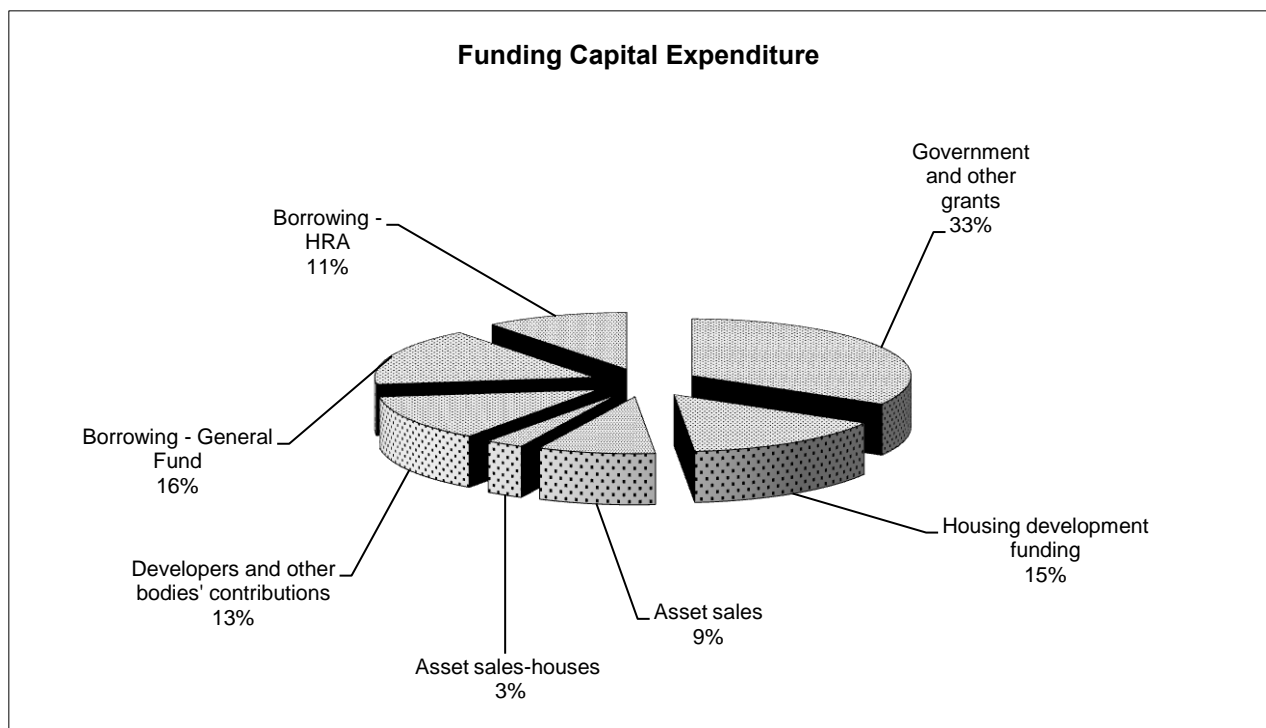
The Council received £57.675m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £188.136m. Major capital projects undertaken during the year included:

- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £37.309m;
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £9.696m;
- Social housing through the housing development fund - £28.512m;
- Tram works, roads and other infrastructure - £34.867m;
- Health and Social Care establishments - £5.199m;
- Educational properties - £28.279m; and
- Recreational venues (including libraries, parks and open spaces) - £5.419m.

The economic climate has seen some improvement in the property market and this in turn has positively impacted on the Council's ability to raise income to fund capital projects through the sale of assets.

The chart below shows how the General Fund and HRA capital programmes were funded. As can be seen, 27% of the programme was funded through additional borrowing.



Group Accounts

The Council's arm's-length companies have also been affected by the economic climate. A number of the companies are involved in the property market and have seen the values of their property portfolios decrease as a direct result of the current economic conditions. In June 2014 the Council agreed a restructuring of its property companies. Waterfront Edinburgh Ltd, Parc Craigmillar Ltd and Shawfair Land Ltd became wholly owned subsidiaries of the EDI Group Ltd to ensure that there is a coherent strategy across the companies and to improve corporate governance.

MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts - continued

Net assets for 2014/15 include a combined group pension liability of £748.313m, 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 2015. 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.

Performance Overview

The Council's Best Value Audit report was published in May 2013 and recognised a range of improvements since the previous assessment in 2007, including good progress in improving outcomes for people and communities. In concluding that the Council's finances were well managed, the report nonetheless highlighted significant risks and uncertainties and, in light of these, the paramount importance of identifying savings that were both achievable and delivered.

A follow-up audit was undertaken in summer 2014, with the Controller of Audit's findings reported to the Council in December.

These findings noted improvements in a number of frontline services that had been highlighted in the May 2013 report, as well as to the Council's wider governance arrangements, risk management and internal audit functions. Despite progress in these areas, the report noted with concern that a means of fully addressing the Council's savings gap remained to be found, as well as the continued lack of a comprehensive workforce strategy and shortcomings in information and communications technology arrangements. Since publication of the follow-up report, the Council has developed its transformation plan which, alongside a greater focus on prioritisation of key services, will address its overall savings requirements going forward. A workforce strategy was approved by the Finance and Resources Committee in March 2015, with work to secure, from April 2016, improvements to the Council's information and communications technology through service reprocurement also well-advanced.

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 2014/15 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2013/14 performance against the sixty efficiency- and outcome-related indicators comprising the framework and other relevant indicators as they related to the Council's then five strategic themes has, however, been produced, as well as more detailed briefings on the framework's seven elements. These briefings analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

Comprehensive detail of both Council-wide and service-specific performance is also available on the Council's website.

Progress in delivering the Capital Coalition's pledges is furthermore reported to Council on a six-monthly basis.

MANAGEMENT COMMENTARY

Future Developments

The one notable exception to the overall balanced position in 2014/15 was Health and Social Care, where underlying demand-led pressures contributed to a significant overspend. Urgent action, including commissioning an external review of financial performance, has therefore been instructed with a view to returning the service to a sustainable position in advance of full integration with health services from April 2016. Reconciling increasing service demand with reducing resources more generally remains the Council's main short- to medium-term challenge in delivering its priority outcomes; while expenditure demands are expected to increase by around 15% by 2018/19, overall resources available through Government Grant funding, Non-Domestic Rates and Council Tax are forecast to remain broadly static over this period. As a result, it is estimated that the Council needs to save at least £107m over the five-year period to 2019/20. At the same time, councils are at the centre of a wider public service reform programme, not only in the area of welfare-related changes but also more fundamental structural transformation resulting, for example, from health and social care integration. There is therefore a need to go beyond incremental, efficiency-driven measures (although these are clearly still important) and consider more transformational options for service delivery whilst aligning available resources more closely to the Council's priority outcomes.

To this end, the Council has established a transformation programme, an overview of which was reported to the Corporate Policy and Strategy Committee on 12 May 2015. This programme is geared towards building a lean and agile organisation, centred on customers, services and communities, and underpinned by significant investment to deliver both service benefits and financial savings.

Health and Social Work Integration

The Public Bodies (Joint Working) (Scotland) Bill

The Public Bodies (Joint Working) (Scotland) Bill was given Royal Assent by the Public Bodies Act.

The Edinburgh Integration Scheme has been signed off by the Minister and the Order will be laid before the Scottish Parliament before the summer recess.

Governance

Currently joint National Health Service (NHS) and CEC governance arrangements are the Edinburgh Partnership Board, Edinburgh Partnership Executive and the Health and Social Care Partnership.

Joint Boards chaired by senior officers have also been established below this level and there are a number of steering and project boards supporting Integration.

A pan-Lothian National Health Service Lothian Finance and Resources Group has been established, comprising S95 officers from Lothian councils and senior finance officers in NHS which will consider the financial framework of the new Integrated Joint Board.

Programme

It is estimated that the new Health and Social Care Partnership will encompass a combined budget of around £400-500 million of which approximately £200 million is currently Council budget. This brings together existing budgets from the Health and Social Care Service in the Council as well as those from NHS Lothian's Community Health Partnership. These budgets will be delegated to the Integrated Joint Board for governance, planning and resourcing purposes. The Strategic (Commissioning) Plan will identify how the resources are to be spent to deliver on the national outcomes and how the balance of care will be shifted from institutional to community-based settings.

Work is progressing on the key steps required to establish the Integrated Joint Board to allow it to get ready for the delegation of functions and resources. This includes a variety of tasks agreed in the Scheme and development of the Strategic Plan.

A detailed risk log is maintained for the Integration Programme and reported through the status reporting process to the Shadow Health and Social Care Partnership and through the Corporate Programmes Office reporting procedure.

ANDREW KERR
Chief Executive

HUGH DUNN, CPFA
Head of Finance

ANDREW BURNS
Council Leader

24 September 2015

24 September 2015

24 September 2015

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.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 24 September 2015.

ANDREW BURNS
Council Leader

24 September 2015

The Head of Finance's responsibilities

The Head of Finance 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 Head of Finance 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 Head of Finance 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 2015.

HUGH DUNN, CPFA
Head of Finance

24 September 2015

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and its Group members. Reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation), most of which is already earmarked and other, unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves undertaken by the Council. Group reserves are shown as either usable or unusable reserves.

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2014/15				
Balance at 31 March 2014	123,309	0	21,936	0
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	(4,301)	17,476	0	0
Other Comprehensive Income and Expenditure	0	0	0	21,479
Total Comprehensive Income and Expenditure	(4,301)	17,476	0	21,479
Adjustments between accounting basis and funding basis under regulations (Note 9)	7,629	(14,973)	0	(21,479)
Net (increase) / decrease before transfers to statutory reserves	3,328	2,503	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	(9,161)	(2,503)	12,868	0
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	(5,833)	0	12,868	0
Balance at 31 March 2015	117,476	0	34,804	0
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2014/15				
Balance at 31 March 2014	1,994	25,835	173,074	23,192
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	0	0	13,175	6,350
Other Comprehensive Income and Expenditure	0	11,298	32,777	(27,719)
Total Comprehensive Income and Expenditure	0	11,298	45,952	(21,369)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,355	0	(26,468)	307
Net (increase) / decrease before transfers to statutory reserves	2,355	11,298	19,484	(21,062)
Transfer (to) / from other statutory reserves (Note 10.3)	0	(1,206)	(2)	7,678
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	2,355	10,092	19,482	(13,384)
Balance at 31 March 2015	4,349	35,927	192,556	9,808

MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2014/15				
Balance at 31 March 2014	196,266	1,612,466	108,949	1,917,681
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	19,525	0	0	19,525
Other Comprehensive Income and Expenditure	5,058	(185,180)	(1,859)	(181,981)
Total Comprehensive Income and Expenditure	24,583	(185,180)	(1,859)	(162,456)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(26,161)	26,468	(307)	0
Net (increase) / decrease before transfers to statutory reserves	(1,578)	(158,712)	(2,166)	(162,456)
Transfer (to) / from other statutory reserves (Note 10.3)	7,676	2	(7,676)	2
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	6,098	(158,710)	(9,842)	(162,454)
Balance at 31 March 2015	202,364	1,453,756	99,107	1,755,227

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2013/14 Comparative Data				
Balance at 31 March 2013	105,996	0	30,748	0
Movement in reserves during 2013/14				
Surplus or (deficit) on the provision of services	(27,930)	(18,545)	0	0
Other Comprehensive Income and Expenditure	0	0	0	16,707
Total Comprehensive Income and Expenditure	(27,930)	(18,545)	0	16,707
Adjustments between accounting basis and funding basis under regulations (Note 9)	30,290	22,843	0	(16,707)
Net (increase) / decrease before transfers to statutory reserves	2,360	4,298	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	14,953	(4,298)	(8,812)	0
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	17,313	0	(8,812)	0
Balance at 31 March 2014	123,309	0	21,936	0

MOVEMENT IN RESERVES STATEMENT

	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Restated Group Usable Reserves £000
2013/14 Comparative Data				
Balance at 31 March 2013	7,030	18,873	162,647	8,687
Movement in reserves during 2013/14				
Surplus or (deficit) on the provision of services	0	0	(46,475)	4,505
Other Comprehensive Income and Expenditure	0	8,805	25,512	17,894
Total Comprehensive Income and Expenditure	0	8,805	(20,963)	22,399
Adjustments between accounting basis and funding basis under regulations (Note 9)	(5,037)	0	31,389	252
Net (increase) / decrease before transfers to statutory reserves	(5,037)	8,805	10,426	22,651
Transfer (to) / from other statutory reserves (Note 10.3)	1	(1,843)	1	(8,146)
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	(5,036)	6,962	10,427	14,505
Balance at 31 March 2014	1,994	25,835	173,074	23,192
	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2013/14 Comparative Data				
Balance at 31 March 2013	171,334	1,682,410	(1,306,506)	547,238
Movement in reserves during 2013/14				
Transfer of Police and Fire Services to central government	0	0	1,412,688	1,412,688
Surplus or (deficit) on the provision of services	(41,970)	0	0	(41,970)
Other Comprehensive Income and Expenditure	43,406	(38,554)	697	5,549
Total Comprehensive Income and Expenditure	1,436	(38,554)	1,413,385	1,376,267
Adjustments between accounting basis and funding basis under regulations (Note 9)	31,641	(31,389)	(252)	0
Net (increase) / decrease before transfers to statutory reserves	33,077	(69,943)	1,413,133	1,376,267
Transfer (to) / from other statutory reserves (Note 10.3)	(8,145)	(1)	8,146	0
Minority interest and other consolidation adjustments	0	0	(5,824)	(5,824)
Increase / (decrease) in year	24,932	(69,944)	1,415,455	1,370,443
Balance at 31 March 2014	196,266	1,612,466	108,949	1,917,681

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 2015

2013/14			Gross Expend.	Income	Net Expend.
£000		Notes	£000	£000	£000
	SERVICES				
343,151	Education Services		364,953	(24,502)	340,451
320,540	Social Work		396,772	(73,524)	323,248
1,265	Housing Revenue Account		74,019	(106,849)	(32,830)
36,415	Other Housing Services		298,722	(268,408)	30,314
51,537	Cultural and Related Services		65,738	(16,625)	49,113
70,753	Environmental Services		101,704	(29,414)	72,290
58,121	Roads and Transport		248,709	(185,186)	63,523
33,189	Planning and Development		69,007	(41,748)	27,259
11,540	Corporate and Democratic Core		13,836	(296)	13,540
18,820	Non-Distributed Costs		18,600	0	18,600
8,067	Services to the Public		25,950	(18,366)	7,584
204	Other Income and Expenditure		81,834	(71,794)	10,040
1,724	Associates and Joint Ventures Accounted for on an Equity Basis		23,271	(21,305)	1,966
<u>955,326</u>	COST OF SERVICES		<u>1,783,115</u>	<u>(858,017)</u>	925,098
4,221	Other Operating Expenditure	11.			(4,807)
110,758	Financing and Investment Income and Exp.	12.			91,300
<u>(1,028,335)</u>	Taxation and Non-Specific Grant Income	13.			<u>(1,031,116)</u>
41,970	SURPLUS ON PROVISION OF SERVICES				(19,525)
(49,212)	Surplus on Revaluation of Non-Current Assets			(19,070)	
(25,871)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(204,649)	
86,492	Changes in Financial and Demographic Assumptions / Other Experience			361,397	
<u>(16,958)</u>	Other Unrealised (Gains) / Losses			<u>44,303</u>	
(5,549)	Other Comprehensive Income and Expend.				181,981
<u>36,421</u>	TOTAL COMPREHENSIVE EXPENDITURE				<u>162,456</u>

An analysis of minority interest shares in the Group Comprehensive Income and Expenditure Statement can be seen in note 7.1.

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 2015

2013/14			Gross Expend.	Income	Net Expend.
£000	SERVICES	Notes	£000	£000	£000
343,151	Education Services		364,953	(24,502)	340,451
320,540	Social Work		396,772	(73,524)	323,248
1,265	Housing Revenue Account		74,019	(106,849)	(32,830)
36,415	Other Housing Services		298,722	(268,408)	30,314
53,643	Cultural and Related Services		61,402	(10,532)	50,870
70,753	Environmental Services		101,704	(29,414)	72,290
68,636	Roads and Transport		123,643	(52,828)	70,815
33,962	Planning and Development		56,196	(23,501)	32,695
11,540	Corporate and Democratic Core		13,836	(296)	13,540
18,820	Non-Distributed Costs		18,600	0	18,600
8,067	Services to the Public		25,950	(18,366)	7,584
(3,636)	Other Income and Expenditure		76,456	(71,323)	5,133
963,156	COST OF SERVICES		<u>1,612,253</u>	<u>(679,543)</u>	932,710
3,652	Other Operating Expenditure	11.			(4,716)
109,910	Financing and Investment Income and Exp.	12.			91,625
(1,030,243)	Taxation and Non-Specific Grant Income	13.			(1,032,794)
46,475	SURPLUS ON PROVISION OF SERVICES				(13,175)
(49,212)	Surplus on Revaluation of Non-Current Assets			(19,070)	
(25,871)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(204,649)	
86,492	Changes in Financial and Demographic Assumptions / Other Experience			361,397	
1,633	Other Unrealised Losses			14,725	
13,042	Other Comprehensive Income and Expend.				152,403
59,517	TOTAL COMPREHENSIVE EXPENDITURE				<u>139,228</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
59,517	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	139,228
(288)	Subsidiary and associate transactions included in the Council's CIES	829
(26,252)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	15,161
3,444	Associates	7,238
36,421	Group total Comprehensive Expenditure for the year	<u>162,456</u>

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 liability of the Group (assets less liabilities) represents the total net loss of 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.

31 March 2014 £000		Notes	31 March 2015 £000	£000
3,292	Intangible Assets	16.		4,954
1,017,351	Council Dwellings		1,029,558	
1,763,693	Other Land and Buildings		1,732,117	
103,377	Vehicles, Plant, Furniture and Equipment		178,127	
941,347	Infrastructure Assets		912,496	
11,347	Community Assets		12,192	
17,150	Surplus Assets		12,624	
<u>79,740</u>	Assets under Construction		<u>50,330</u>	
<u>3,934,005</u>	Property, Plant and Equipment	14.		3,927,444
2,415	Investment Properties	15.		16,304
30,391	Heritage Assets	17.		31,075
17,379	Assets Held for Sale	22.		21,179
821	Available for Sale Financial Assets			794
258	Deferred Tax			297
11,524	Other Long-Term Assets (Pension)			0
5,127	Long-Term Investments			11,553
37,845	Investments in Associates and Joint Ventures			33,771
<u>95,766</u>	Long-Term Debtors	20.		<u>113,146</u>
<u>4,138,823</u>	Long-Term Assets			<u>4,160,517</u>
4,586	Short-Term Investments		0	
2,889	Assets Held for Sale	22.	8,503	
17,220	Inventories	19.	12,057	
123,600	Short-Term Debtors	20.	82,940	
<u>37,467</u>	Cash and Cash Equivalents	21.	<u>95,504</u>	
<u>185,762</u>	Current Assets			199,004
(57,994)	Short-Term Borrowing		(77,787)	
(173,775)	Short-Term Creditors	23.	(169,986)	
(4,977)	Capital Grants Received in Advance		(1,340)	
<u>(19,577)</u>	Provisions	24.	<u>(19,770)</u>	
<u>(256,323)</u>	Current Liabilities			(268,883)

GROUP BALANCE SHEET

31 March 2014		31 March 2015		
£000		Notes	£000	£000
(1,393,140)	Long-Term Borrowing		(1,351,473)	
(205,184)	Other Long-Term Liabilities		(232,435)	
(9,547)	Deferred Tax		(3,467)	
(5,923)	Liabilities in Associates and Joint Ventures		(9,087)	
<u>(536,787)</u>	Other Long-Term Liabilities (Pensions)		<u>(738,949)</u>	
<u>(2,150,581)</u>	Long-Term Liabilities			<u>(2,335,411)</u>
<u>1,917,681</u>	Net Assets			<u>1,755,227</u>
918,790	Revaluation Reserve		911,395	
1,306,580	Capital Adjustment Account		1,339,227	
(51,049)	Financial Instruments Adjustment Account		(49,159)	
(535,498)	Pensions Reserve		(726,969)	
(26,357)	Employee Statutory Adjustment Account		(20,738)	
<u>108,949</u>	Group Unusable Reserves		<u>99,107</u>	
<u>1,721,415</u>	Unusable Reserves	26.		1,552,863
1,994	Capital Grants Unapplied Account		4,349	
25,835	Capital Fund		35,927	
21,936	Renewal and Repairs Fund		34,804	
123,309	General Fund		117,476	
<u>23,192</u>	Group Usable Reserves		<u>9,808</u>	
<u>196,266</u>	Usable Reserves	10.		<u>202,364</u>
<u>1,917,681</u>	Total Reserves			<u>1,755,227</u>

The unaudited accounts were issued on 19 June 2015. The audited accounts were authorised for issue on 24 September 2015.

HUGH DUNN, CPFA
Head of Finance
24 September 2015

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 receipts reserve 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'.

31 March 2014 £000		Notes	31 March 2015	
			£000	£000
3,292	Intangible Assets	16.		4,954
1,017,351	Council Dwellings		1,029,558	
1,735,804	Other Land and Buildings		1,704,462	
35,755	Vehicles, Plant, Furniture and Equipment		104,027	
939,723	Infrastructure Assets		911,161	
11,347	Community Assets		12,192	
17,150	Surplus Assets		12,624	
79,740	Assets under Construction		<u>50,330</u>	
<u>3,836,870</u>	Property, Plant and Equipment	14.		3,824,354
2,215	Investment Properties	15.		16,104
30,391	Heritage Assets	17.		31,075
17,379	Assets Held for Sale	22.		21,179
23,335	Long-Term Investments			23,510
99,266	Long-Term Debtors	20.		<u>116,646</u>
<u>4,012,748</u>	Long-Term Assets			<u>4,037,822</u>
4,586	Short-Term Investments		0	
2,889	Assets Held for Sale	22.	8,503	
2,537	Inventories	19.	2,749	
113,602	Short-Term Debtors	20.	69,751	
20,167	Cash and Cash Equivalents	21.	<u>81,948</u>	
<u>143,781</u>	Current Assets			162,951
(57,994)	Short-Term Borrowing		(79,287)	
(151,613)	Short-Term Creditors	23.	(141,325)	
(4,977)	Capital Grants Received in Advance		(1,340)	
<u>(16,752)</u>	Provisions	24.	<u>(17,994)</u>	
<u>(231,336)</u>	Current Liabilities			(239,946)

BALANCE SHEET

31 March 2014		31 March 2015		
£000		Notes	£000	£000
(1,403,784)	Long-Term Borrowing	18.	(1,360,607)	
(200,371)	Other Long-Term Liabilities	18.	(226,939)	
<u>(535,498)</u>	Other Long-Term Liabilities (Pensions)	43.3	<u>(726,969)</u>	
<u>(2,139,653)</u>	Long-Term Liabilities			<u>(2,314,515)</u>
<u>1,785,540</u>	Net Assets			<u>1,646,312</u>
918,790	Revaluation Reserve		911,395	
1,306,580	Capital Adjustment Account		1,339,227	
(51,049)	Financial Instruments Adjustment Account		(49,159)	
(535,498)	Pensions Reserve		(726,969)	
<u>(26,357)</u>	Employee Statutory Adjustment Account		<u>(20,738)</u>	
<u>1,612,466</u>	Unusable Reserves	26.		1,453,756
1,994	Capital Grants Unapplied Account		4,349	
25,835	Capital Fund		35,927	
21,936	Renewal and Repairs Fund		34,804	
<u>123,309</u>	General Fund		<u>117,476</u>	
<u>173,074</u>	Usable Reserves	10.		192,556
<u>1,785,540</u>	Total Reserves			<u>1,646,312</u>

The unaudited accounts were issued on 19 June 2015. The audited accounts were authorised for issue on 24 September 2015.

HUGH DUNN, CPFA
Head of Finance
24 September 2015

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 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Year ended 31 March 2015

2013/14 £000		Notes	£000	£000
	Operating Activities			
(212,792)	Taxation		(216,370)	
(1,061,122)	Grants		(1,074,651)	
(86,695)	Housing rents		(90,791)	
(512,828)	Sales of goods and rendering of services		(543,907)	
<u>(4,871)</u>	Interest and investment income received	27.	<u>(11,680)</u>	
(1,878,308)	Cash inflows from operating activities			(1,937,399)
616,610	Cash paid to and on behalf of employees		647,532	
200,368	Housing benefits paid out		202,498	
746,226	Cash paid to suppliers of goods and services		750,951	
2,582	Taxation paid		3,546	
<u>96,806</u>	Interest paid	27.	<u>95,936</u>	
<u>1,662,592</u>	Cash outflows from operating activities			<u>1,700,463</u>
(215,716)	Net cash flows from operating activities			(236,936)
	Investing Activities			
241,291	Net cash flows from investing activities	28.		183,054
	Financing Activities			
<u>31,490</u>	Net cash flows from financing activities	29.		<u>(4,155)</u>
<u>57,065</u>	Net decrease / (increase) in cash and cash equivalents			<u>(58,037)</u>
<u>(94,532)</u>	Cash and cash equivalents at 1 April			<u>(37,467)</u>
<u>(37,467)</u>	Cash and cash equivalents at 31 March	21.		<u>(95,504)</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.

Year ended 31 March 2015

2013/14 £000		Notes	£000	£000
	Operating Activities			
(211,614)	Taxation		(216,284)	
(1,061,122)	Grants		(1,074,651)	
(86,695)	Housing rents		(90,791)	
(370,204)	Sales of goods and rendering of services		(387,101)	
<u>(4,651)</u>	Interest and investment income received	27.	<u>(11,450)</u>	
(1,734,286)	Cash inflows from operating activities			(1,780,277)
540,639	Cash paid to and on behalf of employees		571,736	
200,368	Housing benefits paid out		202,498	
696,889	Cash paid to suppliers of goods and services		695,545	
<u>96,313</u>	Interest paid	27.	<u>95,470</u>	
<u>1,534,209</u>	Cash outflows from operating activities			<u>1,565,249</u>
(200,077)	Net cash flows from operating activities			(215,028)
	Investing Activities			
228,620	Net cash flows from investing activities	28.		159,177
	Financing Activities			
<u>28,993</u>	Net cash flows from financing activities	29.		<u>(5,930)</u>
<u>57,536</u>	Net decrease / (increase) in cash and cash equivalents			<u>(61,781)</u>
<u>(77,703)</u>	Cash and cash equivalents at 1 April			<u>(20,167)</u>
<u>(20,167)</u>	Cash and cash equivalents at 31 March	21.		<u>(81,948)</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2015 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Council.

1.1 Accruals of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice.
- Provision has been made in the relevant accounts for bad and doubtful debts.

1.2 Debt Redemption

- The Council operates a consolidated loans fund under the terms of the Local Government (Scotland) Act 1975. Capital payments made by services are financed from the loans fund and repaid on an annuity basis.
- Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing is taken with a refinancing or restructuring option, gains or losses are recognised over the life of the replacement borrowing.

1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

- credit and debit funds held in banks; and
- investments maturing within three months of the Balance Sheet date in respect of the Council and two months of the Balance Sheet date in respect of other Group members.

1.4 Contingent Assets and Liabilities

Contingent assets are not recognised in the accounting statements. Where there is a probable inflow of economic benefits or service potential, this is disclosed in the notes to the financial statements.

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefit, this is disclosed in the notes to the financial statements.

1.5 Provisions

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

1.6 Employee Benefits

• Accruals of Holiday Leave

'Cost of services' within the Comprehensive Income and Expenditure Statement includes a charge for annual leave to which employees are entitled, but have not taken, as at the Balance Sheet date.

The Council is not required to raise Council Tax to cover the cost of accrued annual leave. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account balances by way of an adjusting transaction with the employee statutory adjustment account.

• Pensions

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

• Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension cost charged in the accounts is the contribution rate set on the basis of a notional fund.

• Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Employee Benefits - continued

- Pensions - continued

- Other Employees - continued

The Financial Statements have been prepared including pension costs as determined under International Accounting Standard 19 - Employee Benefits (IAS19). The cost of services includes expenditure equivalent to the amount of retirement benefits the Council has committed to during the year. The interest cost on defined benefit obligation and interest income on plan assets have been charged / credited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations is disclosed in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

1.7 Financial Instruments

- Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement (CIES) is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discounts is respectively deducted from or added to the amortised cost of the new loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement for the General Fund Balance.

- Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council may make loans to related parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the related party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. For soft loans to subsidiary bodies, the writedown is accounted for as an additional investment in the subsidiary in the Council's Group Accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.7 Financial Instruments - continued

- **Financial Assets - continued**

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Surplus funds on behalf of the Council and associated bodies and cash monies of Lothian Pension Funds are now managed by the Council under a formal management agreement in a pooled investment arrangement. While the monies continue to be shown as investments in Lothian Pension Funds' accounts, they are no longer shown as both liabilities and investments in the Council's accounts.

- **Available-for-Sale-Financial Instruments**

The Council has a significant financial interest in several companies and trusts which have been set up for specific purposes. Details of these appear in note 7 to the Financial Statements. These financial interests have been assessed under the requirements of IAS39 Financial Instruments: Measurement.

The Council's investments in Transport for Edinburgh, Lothian Buses Limited, CEC Holdings Limited and CEC Recovery Limited (formerly tie Limited) have been assessed as outwith the scope of IAS39.

Unless otherwise stated, the accounts of these companies may be obtained on application to the Head of Finance, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

1.8 Government and non-Government Grants and Contributions

- **Revenue**

Revenue grants and contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

- **Capital**

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred and the unapplied capital grants account where expenditure has not been incurred.

Where there are outstanding conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

1.9 Intangible Assets

Intangible fixed assets represent software licences purchased by the Council.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

- **Measurement**

Intangible fixed assets are initially measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Intangible Assets - continued

- **Depreciation**

Software licences are depreciated over the period of the licence, commencing in the year after acquisition.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

1.11 Investment Properties

- **Measurement**

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value.

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.

- **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.

- **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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.12 Leases - continued

- **Finance Leases - continued**
 - **Leased-in Assets - continued**

The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

1.13 Current and Non-Current Assets Held for Sale

Current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

- **Measurement**

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

- **Depreciation**

Current and non-current assets held for sale are not depreciated.

1.14 Overheads

The costs of support services are allocated to direct services. The allocations are made on a basis appropriate to the service provided, in order to match costs to service usage. Certain support service costs are recovered through direct charges during the year.

1.15 Public Private Partnership - School Buildings, Maintenance and Other Facilities

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the non-current assets required to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under this scheme and as ownership of the schools and other facilities will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on its Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other assets owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year - debited to education services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 7.35% (PPP1 scheme) and 5.004% (PPP2 scheme) 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 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 its 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.

- **Depreciation**

Depreciation is provided on all property, plant and equipment, other than freehold land, community assets and assets under construction.

The Council does not depreciate its non-current assets in the year of acquisition. The Council operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight line basis on the opening book value over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is not impacted by changes in asset value during the year arising from either revaluation or enhancements.

Component accounting is applied as part of the revaluation process. As a result, where a building asset is split down into further components for the first time in year, the depreciation charge is based on the opening book value over the opening remaining useful life of the asset rather than subsequent component values and associated lives. The difference is not considered material.

- **Charges to Revenue for use of Non-Current Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- impairment losses attributable to the clear consumption of economic benefits on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Property, Plant and Equipment - continued

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Estate Manager (Corporate Property).

- **De-recognition**

An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in 'surplus or deficit on the provision of services' within the Comprehensive Income and Expenditure Statement when the asset is de-recognised.

The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

- **Components**

Component accounting is applied to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately.

The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million approximately. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

Where it is necessary to break a building down into further components, the following categories are applied:

- Structural - includes external and internal walls, traditional roofing, doors, etc.
- Non traditional roofing - includes flat roof, non-traditional roof coverings and industrial type roofs.
- Finishes - includes doors, windows and room finishes.
- Mechanical and electrical services - includes water, heat, ventilation, electrical, lifts, fire and communications.
- Fittings and furnishings - includes fittings, furnishings and sanitary appliances.

1.17 Heritage Assets

- **Categories of Assets**

Heritage assets comprise the following:

Monuments and statues

Civic regalia and artefacts

Archival collections

Libraries special collections

Museum and gallery collections

Intangible heritage assets represent three private vehicle registration plates.

It has not been practical or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

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 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax. Unusable reserves cannot be applied to fund expenditure.

- **Usable Reserves**

The Council operates the following usable reserves:

- Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
- Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
- Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
- Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
- General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 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.
- 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.

1.19 Revenue Expenditure Funded from Capital Under Statute

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'net cost of services' in the Comprehensive Income and Expenditure Statement.

These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

1.20 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is not recoverable from HM Revenue and Customs.

1.21 Group Account Consolidation

IFRS 10, 'Consolidated Financial Statements', was issued in August 2011 and replaces the guidance on control and consolidation in IAS 27, 'Consolidated and Separate Financial Statements', and in SIC 12, 'Consolidation - Special Purpose Entities', along with other related code changes.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under IFRS 10 than under IAS 27. No differences were found.

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates - equity method.
- Transport for Edinburgh Limited's and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March), no consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Minority interests have been disclosed separately within the Group Balance Sheet and in Note 7.1 to the Financial Statements.
- Group members' financial statements have been prepared on an accruals basis, with the exception of the International Conference Centre Income Trust and International Conference Centre Expenditure Trust, which have been prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards that have been Issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement
- Amendments to IAS 19 Employee benefits (Defined benefit plans - employee contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 financial statements.

IFRS 13 changes relate to improved consistency in fair value measurements and disclosures. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

3. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 to the Financial Statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant judgements made in these Financial Statements are detailed below:

3.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1) and Axiom Education Limited (PPP2).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £557.310m at 31 March 2015) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. Full details of these interests are shown in note 7 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The following table details uncertainties on assumptions and estimates, and outlines the potential effect if actual results differ from the assumptions made.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £13.071m 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 £0.453m per annum.
Provisions	The Council has made a provision of £2.645m in respect of the remainder of anticipated equal pay settlements. This is based on the number of potential claimants and assumes similar settlement terms to those achieved previously. There is uncertainty surrounding both of these assumptions.	Should the settlement values increase by 10% this would have the effect of adding £0.265m to the provision required.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.
Arrears	At 31 March, the Council had a balance of sundry debtors of £37.522m. A review of significant balances suggested that an impairment of doubtful debts of £6.824m (18%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £6.824m to be set aside as an allowance.
Arrears	In addition, the Council has a further debtor of £6.742m in respect of unbilled works on statutory notices. A review of these suggested that an impairment of doubtful debts of £3.551m was appropriate.	If the Council was unable to recover a further 10% of this amount, it would require to set an additional £0.674m aside as an allowance.
VAT Recovery Status	The Council's accounts are prepared on the assumption that VAT charged on its purchases is fully recoverable and that it will not become partially exempt.	If the Council were to exceed its 5% de minimis level, a minimum repayment of £3.907m would be due to HM Revenue and Customs.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Council Tax Arrears	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. The Council currently assumes that 96.64% of Council Tax will be collected. An impairment for doubtful debts of £8.282m has been provided for. 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 £2.481m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £4.327m. A review of significant balances suggested that an impairment of doubtful debts of £4.326m (99%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There has been a significant increase in arrears and the impairment set aside, which should help protect against additional welfare reforms such as Universal Credit and the reduction in the benefits cap recently announced in the UK government's budget which 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 £19.484m. If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.484m.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

5. Material Items of Income and Expense

The Council used £1.336m of the provision previously set aside for equal pay to offset costs arising during the year. The effect of this decrease is included within 'Other Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

In February 2015 the Scottish Parliament passed the Community Charge Debt (Scotland) Act 2015 bringing to an end the collection of Community Charge debts. The Council wrote off £73m of Community Charge debtors during the year, on the basis of this Bill. A bad debt provision for the full amount of outstanding Community Charge debtors had already been made in the Financial Statements therefore this has been fully drawn down. The effect of this is included in the Comprehensive Income and Expenditure Statement.

6. Events After the Balance Sheet Date

Sue Bruce left the Council and was replaced by Andrew Kerr as Chief Executive on 27 July 2015.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Subsidiaries:	Shareholding	
• CEC Holdings Limited	100.00%	
• Transport for Edinburgh Limited	100.00%	
Associates:		
• Edinburgh Leisure	33.33%	Board representation
• Festival City Theatres Trust	33.33%	Board representation
• Lothian Valuation Joint Board	61.22%	Funding percentage
• Common Good	100.00%	

Trusts:

- International Conference Centre Income Trust
- International Conference Centre Expenditure Trust

The following companies are not consolidated into the Group Accounts. An assessment has been carried out on these companies, their activities and the level of Council control. These companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

	Shareholding
• Capital City Partnership Limited	100.00%
• CEC Recovery Limited (formerly tie Limited)	100.00%
• Marketing Edinburgh Limited	100.00%

Unless otherwise stated, the accounts of the companies may be obtained on application to the Head of Finance, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

7.1 Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure	Authority	Minority	Total
2014/15	£000	Interests	£000
		£000	
(Surplus) or Deficit on the Provision of Services	(19,525)	0	(19,525)
Other Comprehensive Income and Expenditure	181,981	0	181,981
	<u>162,456</u>	<u>0</u>	<u>162,456</u>
2013/14 Comparative Data	£000	£000	£000
(Surplus) or Deficit on the Provision of Services	41,970	0	41,970
Other Comprehensive Income and Expenditure	(5,549)	0	(5,549)
	<u>36,421</u>	<u>0</u>	<u>36,421</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies

- **Capital City Partnership**

The company is a private company limited by guarantee and is a charitable organisation. From January 2012 the Council became the sole member of the company.

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:	31.03.15	31.03.14
	£000	£000
Net assets	858	952
Net (profit) / loss before taxation	(41)	695
Retained profit carried forward	243	517

- **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.

		Restated
The most recent audited results of the company are as follows:	31.12.14	31.12.13
	£000	£000
Net assets	17,920	20,088
Net (profit) / loss before taxation	(415)	3,514
Retained loss carried forward	51,716	(54,951)

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 2015 and is actively pursuing the transferral of project documentation to Transport Scotland. The company changed its name from tie Limited to CEC Recovery Limited on 13 May 2013.

The City of Edinburgh Council owns 100% (1,000 shares) of the issued share capital through Transport Edinburgh Limited (a dormant company), the immediate parent company of CEC Recovery Limited. The most recent unaudited results of the company are as follows.

	31.03.15	31.03.14
	0	£000
Net assets	0	0
Net deficit before taxation	0	0
Retained losses carried forward	(1)	(1)

- **Marketing Edinburgh Limited**

The company is a private company limited by guarantee. The Council is the sole member.

The principal activities of the company are to increase economic activity within the Edinburgh area by promoting it as a destination to live, work, study, etc.

The most recent audited results of the company are as follows:	31.03.15	31.03.14
	£000	£000
Net assets	262	300
Net (profit) / loss before taxation	41	42
Retained profit carried forward	259	300

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies - continued

• 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 and its primary subsidiaries are as follows:

	31.12.14	31.12.13
	Restated	Restated
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	61,825	n/a
Net profit before taxation	(9,579)	n/a
Retained earnings	(11,136)	n/a
Dividend paid	5,000	n/a
Lothian Buses Limited		
Net assets	62,275	81,480
Net profit before taxation	(10,143)	(11,653)
Retained earnings	54,436	68,604
Dividend paid	5,494	3,296
Edinburgh Trams Limited		
Net assets	(449)	n/a
Net loss before taxation	564	n/a
Retained earnings	(449)	n/a
Dividend paid	0	n/a

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 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:	31.03.15	31.03.14
	£000	£000
Net liabilities	(6,440)	(3,835)
Net operating (profit)/cost	(968)	237
Losses carried forward	6,440	3,835

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% (2013/14 33.33%) Board Representation, is as follows:

	31.03.15	31.03.14
	£000	£000
Incoming resources	(10,092)	(10,183)
Net loss	868	800
Net liabilities	(2,146)	(1,278)
Total usable reserves	2,146	1,278

• Festival City Theatres Trust

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

The most recent audited results of the company are as follows:	31.03.15	31.03.14
	£000	£000
Net assets	4,179	4,446
Net outgoing resources	(197)	(75)
Fund balances carried forward	(4,179)	(4,446)

Although Festival City Theatres Trust is included in the Group Accounts, due to the nature of its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of the Festival City Theatres Trust, based on 33.33% (2013/14 33.33%) Board representation, is as follows:

	31.03.15	31.03.14
	£000	£000
Incoming resources	(3,645)	(4,376)
Net outgoing resources	(89)	(25)
Net assets	1,393	1,482
Total usable reserves	(1,393)	(1,482)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Associates - continued

- **Lothian Valuation Joint Board**

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

The group share of the results of the Lothian Valuation Joint Board, based on a 61.22% (2013/14 61.22%) funding percentage is as follows:

	31.03.15	Restated
	£000	31.03.14
		£000
Funding - requisitions	(3,635)	(3,671)
Other income	<u>(1,397)</u>	<u>(979)</u>
Total income	<u>(5,032)</u>	<u>(4,650)</u>
Deficit for the year	<u>307</u>	<u>247</u>
Net liabilities	<u>(6,941)</u>	<u>(4,644)</u>
Usable reserves	0	0
Unusable reserves	<u>6,941</u>	<u>4,644</u>
Total reserves	<u>6,941</u>	<u>4,644</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

7.5 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), Festival City Theatres Trust and Edinburgh Leisure.

7.6 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 £108.915m (2013/14 £132.141m) representing the Council's share of the realisable surpluses or deficits in these companies.

8. Trusts

● International Conference Centre Expenditure Trust

This Trust was set up to hold funds provided by the Council for its development of the Edinburgh International Conference Centre. The balance of unexpended funds held at 31 March 2015 was £4.153m (31 March 2014 £5.890m).

The decrease in the balance of £1.737m relates mainly to the provision of funding to EICC for capital development costs of £1.767m. The Expenditure Trust received interest of £0.03m.

The £1.364m transferred from the Income Trust noted below was transferred to the Council to defray the development and running costs of the new additional function space.

● 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 2015 was £3.551m (31 March 2014 £4.915m).

Funds in the Income Trust have reduced by £1.364m during the year, relating mainly to the transfer, noted above, to the International Conference Centre Expenditure Trust. The Income Trust received interest of £0.023m.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2014/15			
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	133,556	18,266	0
Movements in the market value of investment properties	(13,889)	0	0
Amortisation and impairment of intangible assets	710	0	0
Capital grants and contributions applied	(64,652)	(4,747)	0
Capital funded from revenue	(25)	(5,649)	0
Revenue expenditure funded from capital under statute	32,641	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(70,285)	(23,123)	0
Capital expenditure charged against General Fund and HRA balances	(32,641)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (Gain) / loss on sale of property, plant and equipment and assets held for sale	(5,023)	307	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,479)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,434)	(460)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	95,001	1,081	0
Employer's pension contributions and direct payments to pensioners payable in the year	(60,933)	(426)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,397)	(222)	0
Total Adjustments	7,629	(14,973)	(21,479)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2014/15	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(151,822)
Movements in the market value of investment properties	0	0	13,889
Amortisation of intangible assets	0	0	(710)
Capital grants and contributions applied	3,298	0	66,101
Capital funded from revenue	0	0	5,674
Revenue expenditure funded from capital under statute	0	0	(32,641)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	93,408
Capital expenditure charged against General Fund and HRA balances	0	0	32,641
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(943)	0	943
Adjustments primarily involving the Capital Receipts Reserve			
Net loss on sale of property, plant and equipment and assets held for sale	0	0	4,716
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,479
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,894
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	61,359
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,619
Total Adjustments	2,355	0	26,468

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2013/14 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	144,120	52,082	0
Movements in the market value of investment properties	0	0	0
Amortisation of intangible assets	288	0	0
Capital grants and contributions applied	(82,023)	(3,301)	0
Capital funded from revenue	(382)	(3,575)	0
Revenue expenditure funded from capital under statute	30,365	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(66,794)	(23,163)	0
Capital expenditure charged against General Fund and HRA balances	(30,365)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and as held for sale	3,118	534	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(16,707)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,263)	(397)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	83,438	1,009	0
Employer's pension contributions and direct payments to pensioners payable in the year	(59,705)	(450)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	9,493	104	0
Total Adjustments	30,290	22,843	(16,707)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2013/14 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(196,202)
Movements in the market value of investment properties	0	0	0
Amortisation of intangible assets	0	0	(288)
Capital grants and contributions applied	0	0	85,324
Capital funded from revenue	0	0	3,957
Revenue expenditure funded from capital under statute	0	0	(30,365)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	89,957
Capital expenditure charged against General Fund and HRA balances	0	0	30,365
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(5,037)	0	5,037
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and as held for sale	0	0	(3,652)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,707
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,660
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(84,447)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	60,155
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(9,597)
Total Adjustments	(5,037)	0	(31,389)

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves

10.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year. Comparative data is included for 2013/14 which has been restated.

	Balance at 01.04.14 £000	Net Transfers Out 2014/15 £000	Net Transfers In 2014/15 £000	Balance at 31.03.15 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(54,951)	3,236	0	(51,715)
Capital grants unapplied account	3,632	0	(419)	3,213
Transport for Edinburgh Limited				
Revenue reserves	61,852	(13,329)	0	48,523
Total Usable Reserves - Subsidiaries	10,533	(10,093)	(419)	21
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	1,651	0	1,185	2,836
Edinburgh Leisure				
Earmarked revenue reserve	419	0	157	576
Revenue reserves	(1,697)	0	(1,025)	(2,722)
International Conference Centre Trusts				
Income Trust	4,915	(1,364)	0	3,551
Expenditure Trust	5,890	(3,101)	1,364	4,153
Festival City Theatres Trust				
Earmarked capital reserve	1,606	(149)	0	1,457
Revenue reserves	(125)	0	61	(64)
Total Usable Reserves - Associates and Joint Ventures	12,659	(4,614)	1,742	9,787
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	23,192	(14,707)	1,323	9,808

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.13 £000	Net Transfers Out 2013/14 £000	Net Transfers In 2013/14 £000	Balance at 31.03.14 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(52,595)	(2,356)	0	(54,951)
Capital grants unapplied account	3,815	(183)	0	3,632
Transport for Edinburgh				
Revenue reserves	42,601	0	19,251	61,852
Total Usable Reserves - Subsidiaries	(6,179)	(2,539)	19,251	10,533
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	1,615	0	36	1,651
Edinburgh Leisure				
Earmarked revenue reserve	287	0	132	419
Revenue reserves	(765)	(932)	0	(1,697)
International Conference Centre Trusts				
Income Trust	6,134	(1,219)	0	4,915
Expenditure Trust	6,075	(1,404)	1,219	5,890
Festival City Theatres Trust				
Earmarked capital reserve	1,763	(157)	0	1,606
Revenue reserves	(243)	118	0	(125)
Total Usable Reserves - Associates and Joint Ventures	14,866	(3,594)	1,387	12,659
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	8,687	(6,133)	20,638	23,192

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Inter-Fund Transfer 2014/15 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31.03.15 £000
Council's Usable Reserves					
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	1,273	0	(1,273)	1,054	1,054
Balances set aside for specific inv.	12,028	496	(3,938)	5,303	13,889
Contingency funding, workforce mgmt.	22,832	0	(5,676)	745	17,901
Council Priorities Fund	10,894	0	(8,258)	681	3,317
Dilapidations Fund	8,154	0	(85)	690	8,759
Energy efficiency Fund	983	0	(275)	91	799
Insurance Funds	11,928	0	(1,550)	2,179	12,557
Licensing Income	1,820	0	(447)	29	1,402
Recycling balances	1,464	0	(92)	0	1,372
Revenue grants and contributions received in advance of planned expenditure	16,180	(496)	(6,915)	5,308	14,077
Council Tax Discount Fund	16,335	0	0	2,301	18,636
Spend to Save Fund and similar projects	6,196	0	(2,861)	4,134	7,469
Other earmarked balances	197	0	0	22	219
Strategic Acquisition Fund	0	0	0	3,000	3,000
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,503)	2,503	0
Total General Fund	123,309	0	(33,873)	28,040	117,476
Housing Revenue Account Balance	0	0	(2,503)	2,503	0
Renewal and Repairs Fund	21,936	0	0	12,868	34,804
Capital Fund	25,835	0	(1,298)	11,390	35,927
Capital Receipts Reserve	0	0	21,479	(21,479)	0
Capital Grants Unapplied Account	1,994	0	(943)	3,298	4,349
Total Usable Reserves - Council	173,074	0	(17,138)	36,620	192,556
Total Usable Reserves - Group	196,266	0	(31,845)	37,943	202,364

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

(re-stated)	Balance at 01.04.13 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31.03.14 £000
General Fund				
Unallocated General Fund	13,025	0	0	13,025
Balances held by schools under DSM	2,649	(2,649)	1,273	1,273
Balances set aside for specific inv.	8,229	(4,632)	8,431	12,028
Contingency funding, workforce mgmt.	18,203	0	4,629	22,832
Council Priorities Fund	2,917	(207)	8,184	10,894
Dilapidations Fund	10,993	(4,375)	1,536	8,154
Energy efficiency Fund	997	(110)	96	983
Insurance Funds	10,675	(1,264)	2,517	11,928
Licensing Income	1,592	0	228	1,820
Recycling balances	1,464	0	0	1,464
Revenue grants and contributions received in advance of planned expend.	17,927	(9,603)	7,856	16,180
Council Tax Discount Fund	13,774	0	2,561	16,335
Spend to Save Fund and similar projects	3,434	(3,226)	5,988	6,196
Other earmarked balances	117	(13)	93	197
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	(4,298)	4,298	0
Total General Fund	<u>105,996</u>	<u>(30,377)</u>	<u>47,690</u>	<u>123,309</u>
Housing Revenue Account Balance	<u>0</u>	<u>(4,298)</u>	<u>4,298</u>	<u>0</u>
Renewal and Repairs Fund	<u>30,748</u>	<u>(13,207)</u>	<u>4,395</u>	<u>21,936</u>
Capital Fund	<u>18,873</u>	<u>(1,911)</u>	<u>8,873</u>	<u>25,835</u>
Capital Receipts Reserve	<u>0</u>	<u>(16,707)</u>	<u>16,707</u>	<u>0</u>
Capital Grants Unapplied Account	<u>7,030</u>	<u>(5,036)</u>	<u>0</u>	<u>1,994</u>
Total Usable Reserves - Council	<u>162,647</u>	<u>(71,536)</u>	<u>81,963</u>	<u>173,074</u>
Total Usable Reserves - Group	<u>171,334</u>	<u>(77,669)</u>	<u>102,601</u>	<u>196,266</u>

The General Fund useable reserves categorisations have been restated for 2013/14 to better reflect the strategic classification of funds.

10.2 Devolved School Management

A net credit balance of £1.054m (2013/14 £1.273m) is held within the General Fund in accordance with the Devolved School Management scheme.

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2014/15	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(33,873)	(2,503)	0	21,479
Transfers in	28,040	2,503	12,868	(21,479)
Total movements in fund	<u>(5,833)</u>	<u>0</u>	<u>12,868</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	3,328	2,503	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	(9,161)	(2,503)	12,868	0
Total movements in fund	<u>(5,833)</u>	<u>0</u>	<u>12,868</u>	<u>0</u>
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(943)	(1,298)	(14,707)	(31,845)
Transfers in	3,298	11,390	1,323	37,943
Total movements in fund	<u>2,355</u>	<u>10,092</u>	<u>(13,384)</u>	<u>6,098</u>
Recognised in Comprehensive Income and Expenditure Statement	2,355	11,298	(21,062)	(1,578)
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	0	(1,206)	7,678	7,676
Total movements in fund	<u>2,355</u>	<u>10,092</u>	<u>(13,384)</u>	<u>6,098</u>
 2013/14 Comparative Data				
	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(30,377)	(4,298)	(13,207)	(16,707)
Transfers in	47,690	4,298	4,395	16,707
Total movements in fund	<u>17,313</u>	<u>0</u>	<u>(8,812)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	2,360	4,298	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	14,953	(4,298)	(8,812)	0
Total movements in fund	<u>17,313</u>	<u>0</u>	<u>(8,812)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2013/14 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(5,036)	(1,911)	(6,133)	(77,669)
Transfers in	0	8,873	20,638	102,601
Total movements in fund	<u>(5,036)</u>	<u>6,962</u>	<u>14,505</u>	<u>24,932</u>
Recognised in Comprehensive Income and Expenditure Statement	(5,037)	8,805	22,651	33,077
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	1	(1,843)	(8,146)	(8,145)
Total movements in fund	<u>(5,036)</u>	<u>6,962</u>	<u>14,505</u>	<u>24,932</u>

11. Other Operating Expenditure

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
(Gains) / losses on the disposal of non-current assets	(4,807)	(4,716)	4,221	3,652
	<u>(4,807)</u>	<u>(4,716)</u>	<u>4,221</u>	<u>3,652</u>

12. Financing and Investment Income and Expenditure

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	94,064	93,657	95,122	94,649
Interest cost on defined benefit obligation	118,313	103,245	112,865	99,411
Interest receivable and similar income	(11,312)	(11,144)	(5,118)	(4,936)
Interest income on plan assets	(95,508)	(79,991)	(91,933)	(79,047)
Income / expend. in relation to investment properties and changes in their fair value	(14,208)	(14,208)	64	(212)
Net (surplus) / deficit from trading activities	<u>(49)</u>	<u>66</u>	<u>(242)</u>	<u>45</u>
	<u>91,300</u>	<u>91,625</u>	<u>110,758</u>	<u>109,910</u>

13. Taxation and Non-Specific Grant Income

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(212,976)	(212,976)	(207,925)	(207,925)
Non-domestic rates	(364,108)	(364,108)	(334,630)	(334,630)
Non-ring fenced government grants	(386,311)	(386,311)	(402,364)	(402,364)
Capital grants and contributions	(69,399)	(69,399)	(85,324)	(85,324)
Taxation expenses	1,678	0	1,908	0
	<u>(1,031,116)</u>	<u>(1,032,794)</u>	<u>(1,028,335)</u>	<u>(1,030,243)</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment

14.1 Depreciation

No depreciation is provided in the year of the 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 10 years, to reflect estimated useful life 3 years to 15 years, Group Companies

14.2 Capital Commitments

At 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £64.920m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2014 were £25.432m.

	£000	Expected Completion Date
Portobello New High School	28,300	Aug-16
Boroughmuir New High School	25,800	Oct-16
Kirkliston Primary School extension	3,000	Aug-16
NEP term contract	2,500	2 years
HRA - External Fabric Improvement Term Contract	1,715	1 year
HRA - Gas Heating Term Contract	1,200	1 year
Water of Leith Phase 2 (Mains diversion) - Scottish Gas Networks	1,080	1 year
Zero Waste - Site Construction	690	1-2years
New Autism Day and Respite Centre retention	400	Apr-15
Other capital commitments	235	1 year
	64,920	

In November 2014, Lothian Buses Limited entered into an agreement to purchase 20 hybrid vehicles for £4.80m. These are expected to be delivered during mid 2015.

CEC Holdings Limited has contractual commitments of £0.0m (2013/14 £0.640m).

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,854,171	215,260	1,316,428
Additions	33,769	31,861	29,195	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,241)	(2,878)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	<u>1,047,151</u>	<u>1,841,517</u>	<u>300,619</u>	<u>1,350,760</u>
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(90,478)	(111,883)	(375,081)
Depreciation charge	(17,746)	(47,658)	(17,731)	(63,183)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,181	2,593	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	<u>(17,593)</u>	<u>(109,400)</u>	<u>(122,492)</u>	<u>(438,264)</u>
Net book value				
At 31 March 2015	<u>1,029,558</u>	<u>1,732,117</u>	<u>178,127</u>	<u>912,496</u>
At 31 March 2014	<u>1,017,351</u>	<u>1,763,693</u>	<u>103,377</u>	<u>941,347</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2014/15

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2014	11,347	17,243	79,740	4,511,749
Additions	1,164	89	34,694	165,104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	(10,826)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	(18,834)
Derecognition - disposals	0	(850)	0	(16,494)
Derecognition - other	0	0	0	(8,632)
Assets reclassified (to) / from held for sale	0	(1,048)	0	(6,864)
Other movements in cost or valuation	0	0	(64,104)	0
At 31 March 2015	<u>12,192</u>	<u>12,634</u>	<u>50,330</u>	<u>4,615,203</u>
Accumulated Depreciation and Impairment				
At 1 April 2014	0	(93)	0	(577,744)
Depreciation charge	0	(66)	0	(146,384)
Depreciation charge written out to Revaluation Reserve	0	0	0	20,902
Depreciation written out to the Surplus on the Provision of Services	0	114	0	5,948
Derecognition - disposals	0	0	0	4,901
Derecognition - other	0	0	0	5,793
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(1,264)
Other movements in cost or valuation	0	35	0	89
At 31 March 2015	<u>0</u>	<u>(10)</u>	<u>0</u>	<u>(687,759)</u>
Net book value				
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u>3,927,444</u>
At 31 March 2014	<u>11,347</u>	<u>17,150</u>	<u>79,740</u>	<u>3,934,005</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts 2013/14 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2013	1,107,677	1,821,734	204,314	1,225,857
Additions	39,115	31,979	19,578	90,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(60,972)	17,302	98	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(62,981)	(31,548)	0	0
Derecognition - disposals	(5,298)	(10,537)	(5,239)	0
Derecognition - other	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	19	(698)	0	0
Other movements in cost or valuation	0	25,939	1	0
At 31 March 2014	<u>1,017,560</u>	<u>1,854,171</u>	<u>215,260</u>	<u>1,316,428</u>
Accumulated Depreciation and Impairment				
At 1 April 2013	(62,533)	(93,459)	(100,530)	(316,173)
Depreciation charge	(18,186)	(44,974)	(18,489)	(58,668)
Depreciation charge written out to Revaluation Reserve	50,601	43,337	13	0
Depreciation written out to the Surplus on the Provision of Services	29,538	4,078	0	0
Derecognition - disposals	371	501	4,319	0
Derecognition - other	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(688)	(240)
Other movements in cost or valuation	0	39	0	0
At 31 March 2014	<u>(209)</u>	<u>(90,478)</u>	<u>(111,883)</u>	<u>(375,081)</u>
Net book value				
At 31 March 2014	<u><u>1,017,351</u></u>	<u><u>1,763,693</u></u>	<u><u>103,377</u></u>	<u><u>941,347</u></u>
At 31 March 2013	<u><u>1,045,144</u></u>	<u><u>1,728,275</u></u>	<u><u>103,784</u></u>	<u><u>909,684</u></u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts 2013/14 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2013	11,263	19,814	95,306	4,485,965
Additions	1,079	131	10,871	193,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,391)	0	(44,963)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(1,492)	(1,621)	0	(97,642)
Derecognition - disposals	0	0	0	(21,074)
Derecognition - other	0	0	0	(3,492)
Assets reclassified (to) / from held for sale	0	310	0	(369)
Other movements in cost or valuation	497	0	(26,437)	0
At 31 March 2014	<u>11,347</u>	<u>17,243</u>	<u>79,740</u>	<u>4,511,749</u>
Accumulated Depreciation and Impairment				
At 1 April 2013	0	(31)	0	(572,726)
Depreciation charge	0	(99)	0	(140,416)
Depreciation charge written out to Revaluation Reserve	0	0	0	93,951
Depreciation written out to the Surplus on the Provision of Services	0	37	0	33,653
Derecognition - disposals	0	0	0	5,191
Derecognition - other	0	0	0	3,492
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(928)
Other movements in cost or valuation	0	0	0	39
At 31 March 2014	<u>0</u>	<u>(93)</u>	<u>0</u>	<u>(577,744)</u>
Net book value				
At 31 March 2014	<u>11,347</u>	<u>17,150</u>	<u>79,740</u>	<u>3,934,005</u>
At 31 March 2013	<u>11,263</u>	<u>19,783</u>	<u>95,306</u>	<u>3,913,239</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,796,454	94,409	1,309,758
Additions	33,769	31,623	13,955	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,127)	(206)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	<u>1,047,151</u>	<u>1,783,676</u>	<u>167,200</u>	<u>1,344,090</u>
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(60,650)	(58,654)	(370,035)
Depreciation charge	(17,746)	(47,186)	(9,089)	(62,894)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,067	41	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	<u>(17,593)</u>	<u>(79,214)</u>	<u>(63,173)</u>	<u>(432,929)</u>
Net book value				
At 31 March 2015	<u>1,029,558</u>	<u>1,704,462</u>	<u>104,027</u>	<u>911,161</u>
At 31 March 2014	<u>1,017,351</u>	<u>1,735,804</u>	<u>35,755</u>	<u>939,723</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2014/15

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
At 1 April 2014	11,347	17,243	79,740	4,326,511	558,965
Additions	1,164	89	34,694	149,626	23,151
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	(10,826)	(9,629)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	(18,834)	0
Derecognition - disposals	0	(850)	0	(13,708)	0
Derecognition - other	0	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(1,048)	0	(6,864)	0
Other movements in cost or valuation	0	0	(64,104)	0	54
At 31 March 2015	<u>12,192</u>	<u>12,634</u>	<u>50,330</u>	<u>4,417,273</u>	<u>572,541</u>
Accumulated Depreciation and Impairment					
At 1 April 2014	0	(93)	0	(489,641)	(12,055)
Depreciation charge	0	(66)	0	(136,981)	(12,887)
Depreciation charge written out to Revaluation Reserve	0	0	0	20,902	9,711
Depreciation written out to the Surplus on the Provision of Services	0	114	0	5,948	0
Derecognition - disposals	0	0	0	2,235	0
Derecognition - other	0	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(1,264)	0
Other movements in cost or valuation	0	35	0	89	0
At 31 March 2015	<u>0</u>	<u>(10)</u>	<u>0</u>	<u>(592,919)</u>	<u>(15,231)</u>
Net book value					
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u>3,824,354</u>	<u>557,310</u>
At 31 March 2014	<u>11,347</u>	<u>17,150</u>	<u>79,740</u>	<u>3,836,870</u>	<u>546,910</u>

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

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council 2013/14 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2013	1,107,677	1,768,939	85,844	1,219,187
Additions	39,115	31,835	12,191	90,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(60,972)	17,302	98	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(62,981)	(31,548)	0	0
Derecognition - disposals	(5,298)	(10,537)	(231)	0
Derecognition - other	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	19	(698)	0	0
Other movements in cost or valuation	0	21,161	(1)	0
At 31 March 2014	<u>1,017,560</u>	<u>1,796,454</u>	<u>94,409</u>	<u>1,309,758</u>
Accumulated Depreciation and Impairment				
At 1 April 2013	(62,533)	(64,029)	(51,475)	(311,416)
Depreciation charge	(18,186)	(44,576)	(10,041)	(58,379)
Depreciation charge written out to Revaluation Reserve	50,601	43,337	13	0
Depreciation written out to the Surplus on the Provision of Services	29,538	4,078	0	0
Derecognition - disposals	371	501	45	0
Derecognition - other	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(688)	(240)
Other movements in cost or valuation	0	39	0	0
At 31 March 2014	<u>(209)</u>	<u>(60,650)</u>	<u>(58,654)</u>	<u>(370,035)</u>
Net book value				
At 31 March 2014	<u>1,017,351</u>	<u>1,735,804</u>	<u>35,755</u>	<u>939,723</u>
At 31 March 2013	<u>1,045,144</u>	<u>1,704,910</u>	<u>34,369</u>	<u>907,771</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council 2013/14 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2013	11,263	19,814	90,818	4,303,542	551,161
Additions	1,079	131	10,579	185,501	146
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,391)	0	(44,963)	17,759
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(1,492)	(1,621)	0	(97,642)	(10,101)
Derecognition - disposals	0	0	0	(16,066)	0
Derecognition - other	0	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	0	310	0	(369)	0
Other movements in cost or valuation	497	0	(21,657)	0	0
At 31 March 2014	<u>11,347</u>	<u>17,243</u>	<u>79,740</u>	<u>4,326,511</u>	<u>558,965</u>
Accumulated Depreciation and Impairment					
At 1 April 2013	0	(31)	0	(489,484)	(43,097)
Depreciation charge	0	(99)	0	(131,281)	(11,334)
Depreciation charge written out to Revaluation Reserve	0	0	0	93,951	40,575
Depreciation written out to the Surplus on the Provision of Services	0	37	0	33,653	1,801
Derecognition - disposals	0	0	0	917	0
Derecognition - other	0	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(928)	0
Other movements in cost or valuation	0	0	0	39	0
At 31 March 2014	<u>0</u>	<u>(93)</u>	<u>0</u>	<u>(489,641)</u>	<u>(12,055)</u>
Net book value					
At 31 March 2014	<u>11,347</u>	<u>17,150</u>	<u>79,740</u>	<u>3,836,870</u>	<u>546,910</u>
At 31 March 2013	<u>11,263</u>	<u>19,783</u>	<u>90,818</u>	<u>3,814,058</u>	<u>508,064</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

14. Property, Plant and Equipment - continued

14.7 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Estate Manager (Projects), S. Sladdin RICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were assumed to be in a reasonable state of repair and have a life expectancy of more than fifty years.
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.
- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	29,119	59,968	98,551	1,344,090
Valued at fair value as at:				
31 March 2015	1,425	271,816	67,674	0
31 March 2014	1,013,882	450,255	125	0
31 March 2013	392	683,147	850	0
31 March 2012	0	238,880	0	0
31 March 2011	2,333	79,610	0	0
Total cost or valuation	1,047,151	1,783,676	167,200	1,344,090

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	12,192	51	50,330	1,594,301
Valued at fair value as at:				
31 March 2015	0	1,175	0	342,090
31 March 2014	0	0	0	1,464,262
31 March 2013	0	5,008	0	689,397
31 March 2012	0	0	0	238,880
31 March 2011	0	6,400	0	88,343
Total cost or valuation	12,192	12,634	50,330	4,417,273

NOTES TO THE FINANCIAL STATEMENTS

15. Investment Properties

15.1 Income and Expenses on Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(387)	(387)	(212)	(212)
Direct operating expenses arising from investment property	68	68	0	0
	<u>(319)</u>	<u>(319)</u>	<u>(212)</u>	<u>(212)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal.

15.2 Movement in Fair Value

The following table summarises the movement in the fair value of investment properties over the year.

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	2,415	2,215	2,640	2,215
Additions:				
- Subsequent expenditure	0	0	51	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	13,889	13,889	(276)	0
Transfers	0	0	0	0
- (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>16,304</u>	<u>16,104</u>	<u>2,415</u>	<u>2,215</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Intangible Assets

Intangible assets mainly represent purchased software licences.

Software is given a finite useful life based on the period of the licence purchased.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.710m in 2014/15 (2013/14 £0.257m) was charged to the following services.

	2014/15	2013/14
	£000	£000
Education services	56	44
Cultural and related services	0	32
Social Work	12	168
Services to the Public	642	13
Total amortisation	<u>710</u>	<u>257</u>

The movement on intangible asset balances during the year is as follows:

	2014/15		2013/14	
	Group	Council	Group	Council
	£000	£000	£000	£000
Balance at 1 April				
Gross carrying amount	6,185	6,185	3,049	3,049
Less: Accumulated amortisation	<u>(2,893)</u>	<u>(2,893)</u>	<u>(2,636)</u>	<u>(2,636)</u>
Net carrying amount at 1 April	3,292	3,292	413	413
Additions during the year				
- Purchased intangible assets	2,372	2,372	3,167	3,167
Impairment during the year	0	0	(31)	(31)
Amortisation for the period	<u>(710)</u>	<u>(710)</u>	<u>(257)</u>	<u>(257)</u>
Net carrying amount at 31 March	<u>4,954</u>	<u>4,954</u>	<u>3,292</u>	<u>3,292</u>
Comprising:				
Gross carrying amounts	8,557	8,557	6,185	6,185
Accumulated amortisation	<u>(3,603)</u>	<u>(3,603)</u>	<u>(2,893)</u>	<u>(2,893)</u>
Net carrying amount at 31 March	<u>4,954</u>	<u>4,954</u>	<u>3,292</u>	<u>3,292</u>

The following items of capitalised software are individually material within intangible assets.

	Carrying Amount		Remaining
	2014/15	2013/14	Amortisation
	£000	£000	Period
Master data management software	887	717	31.03.15 4 years
Web-based solution software, including web forms	953	683	4 years
Integration engine software	846	633	4 years
Customer relationship management solutions	1,687	631	4 years
Security management software	285	357	4 years

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets

17.1 Reconciliation of the Carrying Value of Heritage Assets Movements in 2014/15

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2014	576	2,047	6,797
Additions	44	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(7)	0	0
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2014	<u>576</u>	<u>2,047</u>	<u>6,797</u>
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2014	1,675	19,296	30,391
Additions	0	0	44
Revaluation increases / (decreases) recognised in the Revaluation Reverse	300	347	647
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(7)
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>
Accumulated Impairment			
At 1 April 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>
At 31 March 2014	<u>1,675</u>	<u>19,296</u>	<u>30,391</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets - continued

17.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2013/14 Comparative Data

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2013	423	2,047	6,797
Additions	153	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2014	<u>576</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2013	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2014	<u>576</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2013	<u>423</u>	<u>2,047</u>	<u>6,797</u>
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2013	1,675	19,296	30,238
Additions	0	0	153
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2014	<u>1,675</u>	<u>19,296</u>	<u>30,391</u>
Accumulated Impairment			
At 1 April 2013	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2014	<u>1,675</u>	<u>19,296</u>	<u>30,391</u>
At 31 March 2013	<u>1,675</u>	<u>19,296</u>	<u>30,238</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets - continued

17.2 Details of Heritage Assets

- Monuments and Statues are valued on an historic basis and valuations are carried out under the direction of the Council's Estate Manager (Projects).
- Civic Regalia and artefacts include items such as the Lord Provost's Badge and Chain of Office and the Rosebery Jewel. The value of these assets is based on an insurance purposes valuation carried out in 1998.
- Archival collections include historical records which relate to the history of Edinburgh and its surrounding areas. The value of these assets is based on a current insurance purposes valuation based on restoration costs only. This valuation has not changed since 2008/09.
- Libraries special collections include items such as rare book collections and pictures in Calotype. The value of these assets is based on an insurance purposes valuation carried out in 2007 with a minor proportions valuation being updated in 2014.
- Museums and Gallery collections include various collections held at a number of museums across Edinburgh. They include items held within the Social History, Applied Art, Writers Museum, Childhood, City Art Centre and Picture Loan Scheme. The value of these assets is based on insurance purposes valuations carried out in 2003 along with a minor proportions valuation being updated in 2014. A small minority of the assets are based on insurance purposes valuations carried out in 1996.
- The valuations for heritage assets have all been carried out internally and although they are from earlier periods, they are considered the most appropriate and relevant. Carrying out valuations for the majority of collections held is very costly and time consuming so it is not practicable to obtain recent valuations at a cost which is commensurate with the benefits to users of the financial statements. The carrying amounts of these heritage assets will be reviewed with sufficient regularity in the future to ensure they are brought up to date and remain appropriate.
- It has not been practical or possible to split out all heritage assets belonging to common good, charities or trusts. Therefore, the Council's balance sheet may hold this element of heritage assets that belong to other entities.
- The Council has three private vehicle registration plates which meet the definition of intangible heritage assets. These have not been recognised on the balance sheet due to lack of information on cost or current value. They are limited registration numbers that rarely become available for sale and therefore no relevant or appropriate current value can be placed on these.

18. Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long-Term		Current	
	31.03.15	31.03.14	31.03.15	31.03.14
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	99,286	40,077
Unquoted equity investment at cost	23,511	23,335	0	0
Total investments	23,511	23,335	99,286	40,077
Debtors				
Loans and receivables	4,374	3,500	37,522	29,892
Total debtors	4,374	3,500	37,522	29,892
Borrowings				
Financial liabilities (principal amount)	(1,351,533)	(1,394,588)	(64,341)	(41,495)
Accrued interest	0	0	(17,856)	(18,293)
Cost of amortisation	(9,074)	(9,196)	13	0
Total borrowings	(1,360,607)	(1,403,784)	(82,184)	(59,788)

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.1 Categories of Financial Instruments - continued

	Long-Term	
	31.03.15	31.03.14
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	(226,589)	(200,021)
Deferred liability	<u>(350)</u>	<u>(350)</u>
Total other long-term liabilities	<u><u>(226,939)</u></u>	<u><u>(200,371)</u></u>

Further detail on the finance lease and PPP liabilities can be seen in notes 40 and 41.

	Current	
	31.03.15	31.03.14
	£000	£000
Creditors		
Financial liabilities at amortised cost	(18,597)	(11,141)
PPP and finance leases due within 1 year	<u>(10,736)</u>	<u>(8,821)</u>
Total creditors	<u><u>(29,333)</u></u>	<u><u>(19,962)</u></u>

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is reflected in the Balance Sheet as 'Other Long-term Liabilities' of £0.35m, as shown above and as a long-term investment.

18.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	76,522	13	76,535
Impairment losses	<u>0</u>	<u>(43)</u>	<u>(43)</u>
Total expense in Surplus on the Provision of Services	<u>76,522</u>	<u>(30)</u>	<u>76,492</u>
Interest income	<u>0</u>	<u>684</u>	<u>684</u>
Net gain for the year	<u><u>76,522</u></u>	<u><u>654</u></u>	<u><u>77,176</u></u>

In addition to the above interest expense, £1.887m (2013/14 £1.877m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.279m (2013/14 £0.317m) of loans fund expenses charged to the Council.

18.3 Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLb) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities - continued

- for loans and receivables, the prevailing benchmark market rates have been used to provide the fair value.
- no early repayment of impairment is recognised.
- where no instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31.03.15		31.03.14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	(1,128,116)	(1,562,608)	(1,156,294)	(1,414,394)
European Investment Bank	(1,813)	(1,813)	0	0
Market debt	(293,496)	(508,695)	(293,515)	(315,636)
Temporary borrowing	(16,469)	(16,469)	(11,969)	(11,969)
Other bodies	(2,876)	(2,876)	(1,793)	(1,793)
Other long-term liabilities	(350)	(350)	(350)	(350)
Trade creditors	(18,597)	(18,597)	(11,141)	(11,141)
Finance Leases	<u>(237,325)</u>	<u>(237,325)</u>	<u>(208,842)</u>	<u>(208,842)</u>
Financial liabilities	<u>(1,699,042)</u>	<u>(2,348,733)</u>	<u>(1,683,904)</u>	<u>(1,964,125)</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. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31.03.15		31.03.14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments				
Loans and receivables	99,286	99,286	40,077	40,077
Unquoted equity investment at cost	23,511	23,511	23,335	23,335
Debtors				
Loans and receivables	4,374	4,374	3,500	3,500
Other trade debtors	<u>37,522</u>	<u>37,522</u>	<u>29,892</u>	<u>29,892</u>
Total Investments	<u>164,693</u>	<u>164,693</u>	<u>96,804</u>	<u>96,804</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories Movements in 2014/15 and 2013/14

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Fuel Stocks				
Balance at 1 April	591	165	389	170
Purchases	26,043	2,771	27,174	2,997
Recognised as an expense in the year	(26,134)	(2,822)	(26,972)	(3,002)
Balance at 31 March	500	114	591	165
Gift Stock and Community Equipment	£000	£000	£000	£000
Balance at 1 April	831	831	742	742
Purchases	2,906	2,906	2,031	2,031
Held by a third party	33	33	27	27
Recognised as an expense in the year	(2,605)	(2,605)	(1,969)	(1,969)
Balance at 31 March	1,165	1,165	831	831
Construction and Other Raw Materials	£000	£000	£000	£000
Balance at 1 April	1,424	1,242	1,494	1,200
Purchases	23,433	8,081	24,371	8,013
Recognised as an expense in the year	(23,466)	(8,168)	(24,441)	(7,971)
Balance at 31 March	1,391	1,155	1,424	1,242
Items held for sale	£000	£000	£000	£000
Balance at 1 April	89	89	79	79
Purchases	329	329	321	321
Recognised as an expense in the year	(326)	(326)	(310)	(310)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	91	91	89	89
Work in Progress	£000	£000	£000	£000
Balance at 1 April	14,081	6	9,933	8
Purchases	0	0	4,173	23
Recognised as an expense in the year	(5,395)	(6)	(25)	(25)
Balance at 31 March	8,686	0	14,081	6
Clothing and Equipment	£000	£000	£000	£000
Balance at 1 April	79	79	74	74
Purchases	273	273	199	199
Recognised as an expense in the year	(262)	(262)	(194)	(194)
Balance at 31 March	90	90	79	79
Catering Stocks	£000	£000	£000	£000
Balance at 1 April	125	125	113	113
Purchases	2,630	2,630	2,570	2,570
Recognised as an expense in the year	(2,621)	(2,621)	(2,558)	(2,558)
Balance at 31 March	134	134	125	125

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories - continued	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	17,220	2,537	12,824	2,386
Purchases	55,614	16,990	60,839	16,154
Held by a third party	33	33	27	27
Recognised as an expense in the year	(60,809)	(16,810)	(56,469)	(16,029)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	<u>12,057</u>	<u>2,749</u>	<u>17,220</u>	<u>2,537</u>

20. Debtors

20.1 Long-term Debtors

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	34,865	34,865	35,629	35,629
Other local authorities	1,142	1,142	0	0
NHS bodies	97	97	0	0
Public corporations and trading funds	0	0	0	0
Other entities and individuals	<u>190,604</u>	<u>194,104</u>	<u>239,230</u>	<u>242,730</u>
Total long-term debtors before provision for impairment	226,708	230,208	274,859	278,359
Less: Provision for impairment	<u>(113,562)</u>	<u>(113,562)</u>	<u>(179,093)</u>	<u>(179,093)</u>
Total net long-term debtors	<u>113,146</u>	<u>116,646</u>	<u>95,766</u>	<u>99,266</u>

20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Capital advances				
Police Scotland	18,262	18,262	20,351	20,351
Fire Scotland	3,192	3,192	4,467	4,467
Council Tax	91,519	91,519	86,448	86,448
Community Charge	0	0	72,458	72,458
Non-Domestic Rates	1,757	1,757	1,590	1,590
CEC Holdings	0	3,500	0	3,500
Edinburgh Marketing loan	0	0	9	9
NHT Loans (see note 34.3)	45,665	45,665	35,969	35,969
House rents	3,194	3,194	3,528	3,528
Car loan scheme	146	146	150	150
Other debtors	<u>62,973</u>	<u>62,973</u>	<u>49,889</u>	<u>49,889</u>
	<u>226,708</u>	<u>230,208</u>	<u>274,859</u>	<u>278,359</u>

Long-term debtors include £18.262m (2013/14 £20.351m) and £3.192m (2013/14 £4.467m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

The Community Charge Debt (Scotland) Act 2015 was passed on 19 February 2015, bringing to an end the collection of Community Charge in Scotland. The Council has written off the Community Charge debtor in full during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors - continued

20.3 Current Debtors

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	30,932	28,645	51,465	49,860
Other local authorities	3,682	2,836	6,845	6,250
NHS bodies	1,645	1,645	989	989
Public corporations and trading funds	86	86	2,493	2,493
Other entities and individuals	137,260	127,204	153,649	145,843
Total current debtors before provision for impairment	173,605	160,416	215,441	205,435
Less: Provision for impairment	(90,665)	(90,665)	(91,841)	(91,833)
Total net current debtors	82,940	69,751	123,600	113,602

20.4 Provision for Impairment

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Community charge	0	0	(72,459)	(72,459)
Council tax	(87,720)	(87,720)	(82,863)	(82,863)
Non-Domestic rates	(1,362)	(1,362)	(1,208)	(1,208)
Sundry debtors	(24,480)	(24,480)	(22,563)	(22,563)
Total long-term provision for impairment	(113,562)	(113,562)	(179,093)	(179,093)
Current provision for impairment	£000	£000	£000	£000
Community charge	0	0	(30)	(30)
Council tax	(80,090)	(80,090)	(79,410)	(79,410)
Non-Domestic rates	(190)	(190)	(342)	(342)
Sundry debtors	(10,385)	(10,385)	(12,059)	(12,051)
Total current provision for impairment	(90,665)	(90,665)	(91,841)	(91,833)

21. 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.

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Cash held	385	385	389	389
Bank current accounts	(4,167)	(17,723)	1,588	(15,712)
Short-term deposits:				
With banks or building societies	65,007	65,007	25,432	25,432
With other local authorities	0	0	0	0
With money market fund	29,131	29,131	8,234	8,234
With treasury bills	2,565	2,565	1,824	1,824
Other	2,583	2,583	0	0
	95,504	81,948	37,467	20,167

NOTES TO THE FINANCIAL STATEMENTS

22. Assets Held for Sale

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
22.1 Non-Current Assets				
Balance at 1 April	17,379	17,379	19,551	19,551
Additions	95	95	78	78
Revaluation gains/(losses) recognised in the revaluation reserve	8,200	8,200	450	450
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(537)	(537)	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	5,585	5,585	180	180
Assets sold	(2,697)	(2,697)	(2,571)	(2,571)
Transfers from non-current to current	(6,846)	(6,846)	(309)	(309)
Balance at 31 March	<u>21,179</u>	<u>21,179</u>	<u>17,379</u>	<u>17,379</u>

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
22.2 Current Assets				
Balance at 1 April	2,889	2,889	5,273	5,273
Additions	22	22	24	24
Revaluation gains/(losses) recognised in the revaluation reserve	149	149	(226)	(226)
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(2)	(2)
Assets reclassified as held for sale: Property, Plant and Equipment	1,190	1,190	150	150
Assets sold	(2,593)	(2,593)	(2,639)	(2,639)
Transfers from non-current to current	6,846	6,846	309	309
Balance at 31 March	<u>8,503</u>	<u>8,503</u>	<u>2,889</u>	<u>2,889</u>

23. Creditors

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(21,683)	(18,393)	(25,157)	(20,518)
Other local authorities	(15,305)	(14,296)	(11,419)	(12,544)
NHS bodies	(660)	(660)	(620)	(614)
Public corporations and trading funds	(2,426)	(2,426)	(3,528)	(3,528)
Other entities and individuals	(129,912)	(105,550)	(133,051)	(114,409)
	<u>(169,986)</u>	<u>(141,325)</u>	<u>(173,775)</u>	<u>(151,613)</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £19.769m (2013/14 £19.577m).

Of this amount, £17.993m (2013/14 £16.752m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below, based on the Council's assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2014	(4,418)	(4,679)	(1,766)
Additional provisions made during the year	(119)	0	0
Amounts used during the year	314	1,336	0
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	594	698	254
Balance at 31 March 2015	<u>(3,629)</u>	<u>(2,645)</u>	<u>(1,512)</u>
	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2014	(170)	(120)	(5,599)
Additional provisions made during the year	(170)	(173)	(4,836)
Amounts used during the year	170	116	558
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	0	16
Balance at 31 March 2015	<u>(170)</u>	<u>(177)</u>	<u>(9,861)</u>
	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2014	(16,752)	(2,825)	(19,577)
Additional provisions made during the year	(5,298)	0	(5,298)
Amounts used during the year	2,494	1,049	3,543
Transferred from other long-term liabilities	0	0	0
Unused amounts reversed during the year	1,562	0	1,562
Balance at 31 March 2015	<u>(17,994)</u>	<u>(1,776)</u>	<u>(19,770)</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 14 to 16) and Note 10.

26. Unusable Reserves

26.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	911,395	918,790
Capital Adjustment Account	1,339,227	1,306,580
Financial Instruments Adjustment Account	(49,159)	(51,049)
Pensions Reserve	(726,969)	(535,498)
Employee Statutory Adjustment Account	<u>(20,738)</u>	<u>(26,357)</u>
Total Council Unusable Reserves	1,453,756	1,612,466
Subsidiaries, Associates and Joint Ventures	<u>99,107</u>	<u>108,949</u>
Total Group Unusable Reserves	<u><u>1,552,863</u></u>	<u><u>1,721,415</u></u>

26.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2014/15 £000	2013/14 £000
Balance at 1 April	918,790	901,436
Upward revaluation of assets	49,478	98,837
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(30,408)	(49,625)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	19,070	49,212
Difference between fair value depreciation and historical cost depreciation	(19,524)	(19,541)
Accumulated gains on assets sold	<u>(6,941)</u>	<u>(12,317)</u>
Amount written off to the capital adjustment account	(26,465)	(31,858)
Balance at 31 March	<u><u>911,395</u></u>	<u><u>918,790</u></u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and evaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 9 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2014/15	2013/14
	£000	£000
Balance at 1 April	1,306,580	1,301,035
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(135,488)	(129,145)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(13,577)	(63,992)
Amortisation of intangible assets	(710)	(288)
Capital funded from revenue	5,674	3,957
Revenue exp. funded from capital under statute	(32,641)	(30,365)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	4,716	(3,652)
	<u>(172,026)</u>	<u>(223,485)</u>
Adjusting amounts written out of the revaluation reserve	26,465	31,858
	<u>(145,561)</u>	<u>(191,627)</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	21,479	16,707
Capital grants and contributions credited to the CIES that have been applied to capital financing	66,101	85,324
Application of grants from the capital grants unapplied account / capital fund	943	5,037
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	90,653	86,891
Capital expenditure charged against the General Fund and HRA balances	32,641	30,365
	<u>211,817</u>	<u>224,324</u>
Movements in the market value of investment properties credited to the CIES	13,889	0
Other unrealised losses debited to the CIES	<u>(47,498)</u>	<u>(27,152)</u>
Balance at 31 March	<u><u>1,339,227</u></u>	<u><u>1,306,580</u></u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(51,049)	(52,716)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,877	1,876
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	18	(216)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,895	1,660
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	(5)	7
Balance at 31 March	<u>(49,159)</u>	<u>(51,049)</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.

26.5 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.5 Pensions Reserve - continued

	2014/15	2013/14
	£000	£000
Balance at 1 April	(535,498)	(450,585)
Actuarial gains or losses on pension assets and liabilities	(156,748)	(60,621)
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	(96,082)	(84,447)
Employer's pension contributions and direct payments to pensioners payable in the year	61,359	60,155
Balance at 31 March	<u>(726,969)</u>	<u>(535,498)</u>

26.6 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.

The amount accrued at the end of the 2014/15 is £5.619m lower than the previous year. This is mainly attributable to policy changes to the amount of unused leave that can be carried forward from year to year.

		2014/15	2013/14
		£000	£000
Balance at 1 April		(26,357)	(16,760)
Settlement or cancellation of accrual made at the end of the preceding year	26,357	16,760	
Amount accrued at the end of the current year	<u>(20,738)</u>	<u>(26,357)</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		5,619	(9,597)
Balance at 31 March		<u>(20,738)</u>	<u>(26,357)</u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2015 £000	31 March 2014 £000
Subsidiaries		
CEC Holdings Limited		
Capital adjustment account	64,465	64,465
Capital contribution	12,267	11,419
Transport for Edinburgh		
Revaluation reserve	6,337	6,477
Non Controlling Interest	5,598	7,325
Other Unusable Reserves	(4,457)	0
Total Unusable Reserves - Subsidiaries	84,210	89,686
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(20)
Revaluation reserve	21,860	23,928
Lothian Valuation Joint Board		
Capital adjustment account	385	351
Employee statutory adjustment account	(59)	(54)
Pension reserve	(7,267)	(4,942)
Total Unusable Reserves - Associates and Joint Ventures	14,897	19,263
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	99,107	108,949

27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Interest received	(3,243)	(3,013)	(1,871)	(1,651)
Interest paid	95,936	95,470	96,806	96,313
Investment income received	(8,437)	(8,437)	(3,000)	(3,000)
Net cash flows from interest and investment income	<u>84,256</u>	<u>84,020</u>	<u>91,935</u>	<u>91,662</u>

NOTES TO THE FINANCIAL STATEMENTS

28. Cash Flow Statement - Investing Activities

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	157,496	142,282	225,602	218,468
Other payments for investing activities	60,064	51,133	48,943	42,261
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(16,766)	(16,499)	(17,566)	(16,495)
Net proceeds from short- and long-term investments	(4,410)	(4,410)	(2,292)	(2,292)
Other receipts from investing activities	<u>(13,330)</u>	<u>(13,329)</u>	<u>(13,396)</u>	<u>(13,322)</u>
Net cash flows from investing activities	<u>183,054</u>	<u>159,177</u>	<u>241,291</u>	<u>228,620</u>

29. Cash Flow Statement - Financing Activities

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(48,189)	(47,342)	(13,245)	(11,563)
Other payments for / (receipts) from financing activities	1,263	1,263	1,576	1,576
Cash payments for the reduction of the outstanding liabilities relating to finance leases	12,317	9,695	14,102	9,923
Repayments of short- and long-term borrowing	<u>30,454</u>	<u>30,454</u>	<u>29,057</u>	<u>29,057</u>
Net cash flows from investing activities	<u>(4,155)</u>	<u>(5,930)</u>	<u>31,490</u>	<u>28,993</u>

30. Analysis of Change in Financing Activities

	Balance 01.04.14 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.15 £000
Group				
Debt due within 1 Year	(57,994)	(20,372)	579	(77,787)
Debt due after 1 Year	<u>(1,393,140)</u>	<u>41,654</u>	<u>13</u>	<u>(1,351,473)</u>
Total debt due	(1,451,134)	21,282	592	(1,429,260)
Other liquid resources	83,510	425	0	83,935
Finance leases	<u>(214,599)</u>	<u>(25,862)</u>	<u>1</u>	<u>(240,460)</u>
Total	<u>(1,582,223)</u>	<u>(4,155)</u>	<u>593</u>	<u>(1,585,785)</u>
Council				
Debt due within 1 Year	(57,994)	(21,872)	579	(79,287)
Debt due after 1 Year	<u>(1,403,784)</u>	<u>43,164</u>	<u>13</u>	<u>(1,360,607)</u>
Total debt due	(1,461,778)	21,292	592	(1,439,894)
Other liquid resources	100,088	1,263	0	101,351
Finance leases	<u>(208,841)</u>	<u>(28,485)</u>	<u>1</u>	<u>(237,325)</u>
Total	<u>(1,570,531)</u>	<u>(5,930)</u>	<u>593</u>	<u>(1,575,868)</u>

NOTES TO THE FINANCIAL STATEMENTS

31. Reconciliation of Movements in Cash Receipts and Repayments of Short- and Long-Term Borrowing

	Balance 01.04.14 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.15 £000
Group				
Financing				
Temporary loans	(11,969)	(4,495)	(5)	(16,469)
PWLB	(1,156,294)	27,743	435	(1,128,116)
Market loans	(293,515)	0	19	(293,496)
Other Borrowing	10,644	(1,966)	143	8,821
Net financing	(1,451,134)	21,282	592	(1,429,260)
Council	£000	£000	£000	£000
Financing				
Temporary loans	(11,969)	(4,495)	(5)	(16,469)
PWLB	(1,156,294)	27,743	435	(1,128,116)
Market loans	(293,515)	0	19	(293,496)
Other Borrowing	0	(1,956)	143	(1,813)
Net financing	(1,461,778)	21,292	592	(1,439,894)

Accrued interest is included in the carrying value of investments and loans.

32. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service shown in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocations are taken by the Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made to departments in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of balances on the revaluation reserves are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on the payment of employer's contributions to Lothian Pension Fund rather than the current service cost of benefits earned during the year.
- expenditure on support services is budgeted for within the relevant departments that provide the support services and not charged directly to services receiving the support services.

The income and expenditure for the Council's main service areas is shown separately on the following pages. Income and expenditure for the subsidiary, associate and joint venture companies is shown in total.

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure

2014/15	Children and Families £000	Economic Dev't. £000	Corporate Governance £000
Fees, charges and other service income	(8,692)	(719)	(23,424)
Government grants and other contributions	(15,183)	(4,417)	(16,401)
Total Income	(23,875)	(5,136)	(39,825)
Employee expenses	260,755	4,516	44,158
Other service expenses	154,513	13,073	76,745
Total Expenditure	415,268	17,589	120,903
Net Expenditure / (Income)	391,393	12,453	81,078

	Health and Social Care £000	Housing Revenue Account £000	Valuation Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,736)	(104,564)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
Total Income	(75,038)	(106,150)	0	(248,352)
Employee expenses	103,675	10,968	0	126,824
Other service expenses	181,600	85,470	3,745	258,064
Support service recharges	0	7,209	0	780
Total Expenditure	285,275	103,647	3,745	385,668
Net Expenditure / (Income)	210,237	(2,503)	3,745	137,316

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income		0	(132,710)	(504,213)
Income from associates		0	(21,304)	(21,304)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
Total Income	(202,248)	0	(180,865)	(881,489)
Employee expenses	0	(707)	83,591	633,780
Other service expenses	229,642	0	80,522	1,083,374
Expenditure on associates	0	0	0	0
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	9,140	9,140
Total Expenditure	229,642	(707)	173,253	1,734,283
Net Expenditure / (Income)	27,394	(707)	(7,612)	852,794

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure - continued

2013/14 Comparative Data	Children and Families £000	Economic Dev't. £000	Corporate Governance £000
Fees, charges and other service income	(8,227)	(228)	(23,152)
Government grants and other contributions	(11,462)	(3,093)	(11,710)
Total Income	(19,689)	(3,321)	(34,862)
Employee expenses	258,766	4,156	45,091
Other service expenses	155,957	11,807	68,292
Total Expenditure	414,723	15,963	113,383
Net Expenditure / (Income)	395,034	12,642	78,521

	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(18,714)	(99,541)	0	(205,817)
Government grants and other contributions	(53,767)	(1,138)	0	(39,987)
Total Income	(72,481)	(100,679)	0	(245,804)
Employee expenses	98,170	10,411	0	131,781
Other service expenses	174,181	78,589	3,745	241,912
Support service recharges	0	7,381	0	1,914
Total Expenditure	272,351	96,381	3,745	375,607
Net Expenditure / (Income)	199,870	(4,298)	3,745	129,803

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(112,452)	(468,131)
Income from associates	0	0	(19,339)	(19,339)
Government grants and other contributions	(199,568)	0	(24,579)	(345,304)
Total Income	(199,568)	0	(156,370)	(832,774)
Employee expenses	0	(4,598)	77,374	621,151
Other service expenses	228,380	0	40,812	1,003,675
Expenditure on associates	0	0	21,063	21,063
Support service recharges	0	0	0	9,295
Depreciation, amortisation and impairment	0	0	9,323	9,323
Total Expenditure	228,380	(4,598)	148,572	1,664,507
Net Expenditure / (Income)	28,812	(4,598)	(7,798)	831,733

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.2 Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements for the Group and the Council

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	852,794	860,406	831,733	839,531
Net expenditure of services and support services not included in the dept. analysis	33,053	33,053	19,110	19,110
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	100,676	100,676	164,683	164,715
Amounts included in departmental analysis not included in CIES	(61,359)	(61,359)	(60,155)	(60,155)
Amounts included in the departmental analysis included below Cost of Services in the CIES	(66)	(66)	(45)	(45)
Cost of Services in CIES	<u>925,098</u>	<u>932,710</u>	<u>955,326</u>	<u>963,156</u>

32.3 Reconciliation to Subjective Analysis

Group 2014/15	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(504,213)	11,619	2,391
Income from associates and joint ventures	(21,304)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(355,972)	9,490	0
Total Income	<u>(881,489)</u>	<u>21,109</u>	<u>2,391</u>
Employee expenses	633,780	116,082	(51,856)
Other service expenses	1,083,374	(104,138)	(2,391)
Expenditure on associates and joint ventures	0	0	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	9,140	0	152,532
Total Expenditure	<u>1,734,283</u>	<u>11,944</u>	<u>98,285</u>
Net Expenditure / (Income)	<u>852,794</u>	<u>33,053</u>	<u>100,676</u>

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Group 2014/15	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

Group 2014/15	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(488,906)	(15,573)	(504,479)
Income from associates and joint ventures	(21,304)	0	(21,304)
Interest and investment income	0	(106,820)	(106,820)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(346,482)	(819,818)	(1,166,300)
Total Income	(856,692)	(1,155,187)	(2,011,879)
Employee expenses	639,298	701	639,999
Other service expenses	980,820	2,293	983,113
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	0
Depreciation, amortisation and impairment	161,672	0	161,672
Interest payments	0	212,377	212,377
Gain on disposal of assets	0	(4,807)	(4,807)
Total Expenditure	1,781,790	210,564	1,992,354
Net Expenditure / (Income)	925,098	(944,623)	(19,525)

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2014/15	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(371,503)	11,619	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(329,121)	9,490	0
Total Income	(700,624)	21,109	0
Employee expenses	550,189	116,082	(51,856)
Other service expenses	1,002,852	(104,138)	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	0	0	152,532
Total Expenditure	1,561,030	11,944	100,676
Net Expenditure / (Income)	860,406	33,053	100,676

Council 2014/15	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2014/15	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(358,587)	(15,573)	(374,160)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(91,135)	(91,135)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	(678,218)	(1,139,502)	(1,817,720)
Employee expenses	555,707	701	556,408
Other service expenses	902,689	730	903,419
Support service recharges	0	0	0
Depreciation, amortisation and impairment	152,532	0	152,532
Interest payments	0	196,902	196,902
Gain on disposal of assets	0	(4,716)	(4,716)
Total Expenditure	1,610,928	193,617	1,804,545
Net Expenditure / (Income)	932,710	(945,885)	(13,175)

Group 2013/14 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(468,131)	9,388	2,679
Income from associates and joint ventures	(19,339)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(345,304)	16,305	0
Total Income	(832,774)	25,693	2,679
Employee expenses	621,151	102,462	(31,776)
Other service expenses	1,003,675	(109,045)	(2,711)
Expenditure on associates and joint ventures	21,063	0	0
Support service recharges	9,295	0	0
Depreciation, amortisation and impairment	9,323	0	196,491
Total Expenditure	1,664,507	(6,583)	162,004
Net Expenditure / (Income)	831,733	19,110	164,683

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Group	Not	Reported	Allocation
2013/14 Comparative Data	Included	Below	of
	in CIES	Cost of	Recharges
	£000	Services	£000
Fees, charges and other service income	0	1,355	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,355	0
Employee expenses	(60,155)	(742)	3,769
Other service expenses	0	(658)	5,526
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(9,295)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(60,155)	(1,400)	0
Net Expenditure / (Income)	(60,155)	(45)	0

Group	Cost of	Corporate	Total
2013/14 Comparative Data	Services	Amounts	£000
	£000	£000	
Fees, charges and other service income	(454,709)	(1,567)	(456,276)
Income from associates and joint ventures	(19,339)	0	(19,339)
Interest and investment income	0	(97,051)	(97,051)
Income from Council Tax	0	(207,925)	(207,925)
Government grants and other contributions	(328,999)	(822,318)	(1,151,317)
Total Income	(803,047)	(1,128,861)	(1,931,908)
Employee expenses	634,709	742	635,451
Other service expenses	896,787	2,555	899,342
Expenditure on associates and joint ventures	21,063	0	21,063
Support service recharges	0	0	0
Depreciation, amortisation and impairment	205,814	0	205,814
Interest payments	0	207,987	207,987
Gain on disposal of assets	0	4,221	4,221
Total Expenditure	1,758,373	215,505	1,973,878
Net Expenditure / (Income)	955,326	(913,356)	41,970

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2013/14 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(355,679)	9,388	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(320,725)	16,305	0
Total Income	(676,404)	25,693	0
Employee expenses	543,777	102,462	(31,776)
Other service expenses	962,863	(109,045)	0
Support service recharges	9,295	0	0
Depreciation, amortisation and impairment	0	0	196,491
Total Expenditure	1,515,935	(6,583)	164,715
Net Expenditure / (Income)	839,531	19,110	164,715

Council 2013/14 Comparative Data	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,355	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,355	0
Employee expenses	(60,155)	(742)	3,769
Other service expenses	0	(658)	5,526
Support service recharges	0	0	(9,295)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(60,155)	(1,400)	0
Net Expenditure / (Income)	(60,155)	(45)	0

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2013/14 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(344,936)	(1,567)	(346,503)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(83,983)	(83,983)
Income from Council Tax	0	(207,925)	(207,925)
Government grants and other contributions	<u>(304,420)</u>	<u>(822,318)</u>	<u>(1,126,738)</u>
Total Income	<u>(649,356)</u>	<u>(1,115,793)</u>	<u>(1,765,149)</u>
Employee expenses	557,335	742	558,077
Other service expenses	858,686	658	859,344
Support service recharges	0	0	0
Depreciation, amortisation and impairment	196,491	0	196,491
Interest payments	0	194,060	194,060
Gain on disposal of assets	<u>0</u>	<u>3,652</u>	<u>3,652</u>
Total Expenditure	<u>1,612,512</u>	<u>199,112</u>	<u>1,811,624</u>
Net Expenditure / (Income)	<u>963,156</u>	<u>(916,681)</u>	<u>46,475</u>

33. Trading Operations

The following services continue to meet the definition of significant trading operations under the terms of the Local Government in Scotland Act 2003, as amended.

33.1 Edinburgh Catering Services - Other Catering

Edinburgh Catering Services - Other Catering is a quality accredited trading operation providing a catering service to staff and the public across seven Council buildings which includes civic hospitality in Waverley Court and the City Chambers.

Civic hospitality which includes external customers accounts for approximately 45% of the business turnover within this contract.

	2014/15 £000	2013/14 £000	2012/13 £000	Cumulative £000
Turnover	1,297	1,355	1,210	n/a
(Deficit) / Surplus	(66)	(45)	17	(94)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period, due to a downturn in turnover of both in-house catering and external hospitality. Reduced opening hours and menu rationalisation, along with investment in cheaper and more efficient equipment are planned to ensure cost reduction going forward.

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

33. Trading Operations - continued

33.2 Refuse Collection, including Trade Waste

This trading operation provides refuse collection services for over 239,000 households, with the majority of these properties being served by a containerised waste collection system. Trade waste provides a collection and disposal service to producers of commercial waste throughout the city. In addition the service provides uplifts of bulky household refuse.

	2014/15 £000	2013/14 £000	2012/13 £000	Cumulative £000
Turnover	17,155	17,319	17,048	n/a
Surplus / (deficit)	2,279	2,997	878	6,154

Refuse Collection achieved its statutory obligation to break even over the three-year period.

Refuse Collection has implemented a number of service improvements and these have contributed to the improved financial position.

The results of Refuse Collection / Trade Waste are included within 'Environmental Services' in the Comprehensive Income and Expenditure Statement.

34. Financial Support and Guarantees

34.1 Loans and guarantees

The Council has made loans to the following organisations at less than market interest rates (soft loans).

	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartan Community Football Academy	Spartan Community Football Academy
Opening Balance	-	-	50	49
New Loans	1,000	-	-	-
Increase in the Discounted Amount	20	-	4	4
Fair Value Adjustment	(196)	-	-	-
Loan Repayment	-	-	(3)	(3)
Balance Carried Forward	<u>824</u>	<u>-</u>	<u>51</u>	<u>50</u>
Nominal Value Carried Forward	<u>1,000</u>	<u>-</u>	<u>108</u>	<u>111</u>

Adjustments have been made under the requirements of IAS 39 as required by the Code.

The Transport for Edinburgh loan relates to two £500,000 loans to Transport for Edinburgh Ltd. to provide a loan facility to Tramco for Tramco's general working capital purposes and funding Tramco's 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.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial Support and Guarantees - continued

34.2 Shared Equity Scheme

In 2010/11, the Council approved a pilot scheme for a Council-backed shared equity scheme to help buyers purchase homes from PARC (a subsidiary of CEC Holdings Limited) and support the regeneration of Craigmillar. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Interest for the period up to the first five years is charged to PARC and thereafter to the purchasers.

34.3 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market.

The Scottish Government has granted the Council permission to borrow up to £55m for phase 1 to purchase homes from developers. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs.

The Council worked with the Scottish Government and the SFT to procure private developers to build up to 600 homes for mid market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships (LLPs), through the NHT initiative. Four contracts were awarded and all sites are complete, as of June 2014. A total of 422 new homes have been delivered at a cost of £45.67m.

Phase 2 of NHT home building was approved by Council in June 2014. Approval was granted to award the contract to Forth Ports Ltd for the delivery of up to 96 new affordable housing units. Investment totalling £11.92m will be required from the Council with the project starting in January 2016. Expenditure of £2.98m is forecast for 2015/16 with the remaining balance of £8.94m forecast for 2016/17.

A third phase of NHT has been approved and will deliver an additional 413 mid market rent (MMR) homes across four separate sites. Permission has been granted to borrow an additional £55m in support of this phase.

The Council has advanced the following sums under the NHT scheme:

Developer	Development Site	Total No. of Flats	2014/15 £000	Prior Years £000
Places for People	Lochend North	126	0	13,323
Places for People	Lighthouse Court	62	0	6,492
Teague Homes Limited	Salamander Place / Leith Links	145	9,696	5,855
Miller Homes	Telford North	89	0	10,299
			9,696	35,969

These sums are included within Long-term Debtors, as detailed in note 20.1.

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:

	2014/15 £000	2013/14 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	279	607
Educational services for children	1,842	2,297
Care services for children	1,491	535
Others		
Police officers	2,600	2,616
Police Scotland - cab inspection	299	410
Scottish Cities Alliance Investment Fund (see note 48.)	1,337	889
	<u>7,848</u>	<u>7,354</u>
Total Expenditure	<u>7,848</u>	<u>7,354</u>
Income		
Receipts in respect of library services:		
Health Boards	(19)	(18)
Scottish Prison Service	(16)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,026)	(945)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,410)
Midlothian Council	(61)	(58)
Receipts from other local authorities in respect of:		
Criminal justice services	(1,055)	(873)
Educating pupils	(741)	(668)
Pentland Hills Regional Park management	(78)	(76)
Care services for children	(867)	(755)
Risk Factory	(39)	(40)
Social work undertakings	(4,302)	(3,825)
	<u>(9,884)</u>	<u>(8,684)</u>
Total Income	<u>(9,884)</u>	<u>(8,684)</u>

36. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.691m (2013/14 £0.684m). The Council has re-charged £0.048m of the audit fee to Lothian Pension Funds in respect of its audit (2013/14 £0.047m).

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 2014/15 (2013/14 £0.004m) for the audit of 2013/14 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. Grant Income

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2014/15		2013/14	
	£000	£000	£000	£000
Revenue Funding				
Credited to taxation and non-specific grant income				
General revenue funding	(386,311)		(402,364)	
Non-domestic rates	<u>(364,108)</u>		<u>(334,630)</u>	
		(750,419)		(736,994)
Credited to services				
Government grants	(20,594)		(18,209)	
Department for Work and Pensions				
- Housing benefits	(202,325)		(199,568)	
- Other funding	(4,515)		(5,256)	
N.H.S. Lothian	(37,093)		(33,810)	
Other Local Authorities	(3,929)		(3,689)	
International Conference Centre Inc. Trust	(1,627)		(927)	
Edinburgh Leisure	(679)		(679)	
Scottish Prison Service	(489)		(484)	
Lottery funding	(25)		7	
SportScotland	<u>(1,012)</u>		<u>(1,054)</u>	
		(272,288)		(263,669)
Total		<u><u>(1,022,707)</u></u>		<u><u>(1,000,663)</u></u>
Capital Funding				
Scottish Government		(63,942)		(42,316)
Transport Scotland		(42)		(35,994)
Other grants and contributions, including contributions from developers and individuals		(4,422)		(2,773)
Lothian Health Board		0		(964)
Henderson Global		28		(905)
N-Power		0		(581)
Cruden Homes		(242)		(651)
Lothian Buses		0		(412)
Edinburgh Military Tattoo		0		(340)
Historic Scotland		(173)		(145)
Forth Estuary Transport Authority		(235)		(139)
Royal Bank of Scotland		(56)		(56)
Waste Recycling Environmental Grant		0		(45)
International Conference Centre Income Trust		0		(3)
Museum Galleries Scotland		(56)		0
Midlothian Council		(9)		0
Edinburgh Tram Ltd.		(17)		0
Edinburgh Tourist Board		<u>(233)</u>		<u>0</u>
Total		<u><u>(69,399)</u></u>		<u><u>(85,324)</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

	2014/15 £000	2013/14 £000
• Revenue Expenditure		
Capital City Partnership	4,249	4,327
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	220	439
Changeworks Recycling	7	3
Edinburgh Festival Theatres	771	778
Edinburgh Leisure Limited		
Revenue funding	9,590	9,559
Other expenditure	303	90
Edinburgh Trams Ltd	2,851	1,595
Edinburgh World Heritage Trust	49	89
Lothian Buses Limited		
Supported bus services	840	465
Other expenditure	3,954	2,042
NHS Bodies	2,398	2,189
Other Local Authorities	2,638	2,393
Scottish Government	171	0
Scottish and Southern Energy	264	536
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	747	799
Dean and Calvin Charitable Trust	837	843
Edinburgh International Festival Society	2,506	2,505
Essential Edinburgh	0	298
Festivals Edinburgh Ltd	175	172
Handicab	448	448
Health Projects	156	154
Lifecare Edinburgh	539	538
Marketing Edinburgh	977	1,007
Royal Lyceum Theatre Co Ltd	382	379
Total Revenue Expenditure	35,072	31,648
• Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(196)	(208)
Edinburgh Festival Theatres	(59)	(72)
Professional services, rents, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(1)	(92)
Edinburgh Leisure	(6)	(679)
Lothian Valuation Joint Board	(5)	(5)
Other Local Authorities	(2,971)	(2,407)
Scottish Government	(588)	(563)
Scottish Court Service	70	(489)
Lothian Health Board		
Change Fund	(2,065)	(3,906)
Resource transfers	(21,077)	(20,682)
Other Grants and Fees	(384)	(386)
Total Revenue Income	(27,282)	(29,489)

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure - continued

	2014/15 £000	2013/14 £000
<ul style="list-style-type: none"> ● Joint Board Requisitions 		
Lothian Valuation Joint Board	3,745	3,745
SESTRAN	0	0
Total Joint Board Requisitions	<u>3,745</u>	<u>3,745</u>
<ul style="list-style-type: none"> ● Central Support Income 		
Forth Estuary Transport Authority	(109)	(100)
Lothian Valuation Joint Board	(65)	(63)
Pension Funds	(322)	(522)
Total Central Support Income	<u>(496)</u>	<u>(685)</u>
<ul style="list-style-type: none"> ● Interest on Revenue Balances 		
Forth Estuary Transport Authority	(11)	(18)
Lothian Valuation Joint Board	3	3
Pension Funds	22	10
SESTRAN	(1)	(1)
Total Interest on Revenue Balances	<u>13</u>	<u>(6)</u>
<ul style="list-style-type: none"> ● Loans Charges Recovered 		
Further Education Colleges (pre 1996 expenditure)	0	(141)
Lothian and Borders Fire and Rescue Board	(1,503)	(1,746)
Lothian and Borders Police Board	(3,130)	(3,213)
Total Loans Charges	<u>(4,633)</u>	<u>(5,100)</u>
38.2 Subsidiaries and Other Organisations - Capital Expenditure		
<ul style="list-style-type: none"> ● Capital Expenditure 		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	1,334	2,798
Edinburgh Leisure	165	168
Edinburgh Military Tattoo	0	340
Hubco	4,468	8,345
Other Local Authorities	2,320	0
Scottish Government	261	0
Sport Scotland	151	0
Transport Scotland	0	1,109
Total Capital Expenditure	<u>8,699</u>	<u>12,760</u>

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 2015:

	2014/15	2013/14
	£000	£000
CEC Holdings Limited (including all subsidiaries)	(169)	(658)
Edinburgh Military Tattoo	0	5
Forth Estuary Transport Authority	509	5,219
Hubco	(770)	(705)
Lothian and Borders Criminal Justice Authority	2,599	2,594
Scottish Fire and Rescue Service	1,228	1,642
Police Scotland	48	(596)
Lothian Valuation Joint Board	(1,233)	(924)
Lothian Buses	0	(48)
NHS Bodies	540	414
Pension Funds	(6,361)	(8,851)
Scottish Government	7,079	8,017
Scottish Water	70	2,418
SESTRAN	1,090	335
SUSTRANS	710	573
Transport Scotland	422	17,468
	<u>5,762</u>	<u>26,903</u>
• Other Indebtedness		
HM Revenue and Customs - VAT	8,879	9,524
HM Revenue and Customs - PAYE and NI	(9,397)	(11,301)
	<u>(518)</u>	<u>(1,777)</u>
• Investments held on behalf of, and repayable to:		
CEC Holdings	(120)	(196)
Common Good	(2,756)	(1,597)
	<u>(2,876)</u>	<u>(1,793)</u>

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.

	2014/15		2013/14	
	£000	£000	£000	£000
Opening capital financing requirement		1,728,465		1,700,769
Capital Investment				
Property, plant and equipment	149,626		185,501	
Heritage Assets	44		153	
Assets held for sale	117		102	
Intangible assets	2,372		3,167	
Capital Receipts transferred to Capital Fund	11,298		8,805	
National Housing Trust - Consent to borrow (see note 34.3)	9,696		29,333	
Revenue expenditure funded from capital under statute	32,641		30,365	
Adjustments to PPP schools during the year (reflected in finance leases)	12,610		0	
		<u>218,404</u>		<u>257,426</u>
Sources of Finance				
Capital receipts	(21,479)		(16,707)	
Capital Funded from Current Revenue	(5,674)		(3,957)	
Government grants and other contributions	(99,372)		(120,777)	
Loans fund / finance lease repayments	<u>(94,314)</u>		<u>(88,289)</u>	
		<u>(220,839)</u>		<u>(229,730)</u>
Closing capital financing requirement		<u><u>1,726,030</u></u>		<u><u>1,728,465</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(37,331)		25,650
Voluntary debt repayment - HRA		(6,123)		(6,000)
Assets acquired under finance leases		7,172		8,046
Assets acquired under PFI/PPP contracts		33,847		0
(Decrease) / Increase in capital financing requirement		<u><u>(2,435)</u></u>		<u><u>27,696</u></u>

NOTES TO THE FINANCIAL STATEMENTS

40. Leases

40.1 Assets Leased in - Finance Leases

The Council has acquired two buildings and its IT equipment under finance leases. Following in year reassessment, copying equipment is now determined to meet the definition of operating lease and has been reclassified from finance lease to operating lease classification. The assets acquired under these leases are included in property, plant and equipment in the Balance Sheet:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	13,768	8,011	12,249	3,093
Additions during the year	7,172	7,172	8,046	8,046
Reclassification to operating lease during the year	(2,840)	(2,840)	0	0
Repayments during the year	(5,442)	(2,820)	(6,527)	(3,128)
Value at 31 March	12,658	9,523	13,768	8,011
Other land and buildings	126	126	190	190
Vehicles, plant, equipment and furniture	12,532	9,397	13,578	7,821
Value at 31 March	12,658	9,523	13,768	8,011

The Council is committed to making minimum lease payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are shown below:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	5,275	2,816	4,548	1,926
Non-current	7,383	6,707	9,220	6,085
Finance costs payable	751	751	817	817
Minimum lease payments	13,409	10,274	14,585	8,828

The minimum lease payments will be payable over the following periods:

Minimum Finance Lease Repayments	at 31.03.15		at 31.03.14	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	5,495	3,036	4,791	2,169
Later than one year and not later than five years	7,914	7,238	9,790	6,655
Later than five years	0	0	4	4
	13,409	10,274	14,585	8,828
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	5,275	2,816	4,548	1,926
Later than one year and not later than five years	7,383	6,707	9,216	6,081
Later than five years	0	0	4	4
	12,658	9,523	13,768	8,011

NOTES TO THE FINANCIAL STATEMENTS

40. Leases - continued

40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment (reclassified from finance lease to operating lease following in year reassessment) 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.

The amounts recognised as an expense during the year include £0.277m of contributions paid by employees towards cost of car leasing (2013/14 £0.399m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.362m is recoverable from employees (2013/14 £0.387m):

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Future Repayment Period				
Not later than one year	2,146	2,081	4,831	4,554
Later than one year and not later than five years	6,096	5,823	6,633	5,993
Later than five years	6,640	6,164	7,442	7,091
	14,882	14,068	18,906	17,638
Value at 31 March				
Other land and buildings	13,355	13,355	16,750	16,669
Vehicles, plant, equipment and furniture	1,730	713	2,156	969
	15,085	14,068	18,906	17,638
Recognised as an expense during the year	2,675	2,454	5,196	4,899

40.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2014/15 £000	2013/14 £000
Not later than one year	14,116	12,599
Later than one year and not later than five years	41,346	34,356
Later than five years	157,676	164,926
	213,138	211,881

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 a guaranteed maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespies High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. Construction of the new facility is phased, with the initial phase (comprising the main teaching block) due for completion in April 2015, and final phases (including sports hall, social / assembly buildings) due for completion in July 2016. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2015/16	15,874	7,920	18,327	42,121
Payable within two to five years	73,035	32,126	73,767	178,928
Payable within six to ten years	113,175	40,677	84,187	238,039
Payable within eleven to fifteen years	131,071	49,200	74,386	254,657
Payable within sixteen to twenty years	125,875	56,493	58,087	240,455
Payable within twenty one to twenty five years	61,670	37,452	26,747	125,869
Payable within twenty six to thirty years	808	3,934	617	5,359
	<u>521,508</u>	<u>227,802</u>	<u>336,118</u>	<u>1,085,428</u>

Payments due under the PPP1 scheme have been inflated by 1.11% per annum and those due under the PPP2 scheme have been inflated by 1.67% per annum, reflecting the terms of the separate contracts.

The amounts disclosed as reimbursement of capital expenditure are included in other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate the providers for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2014/15 £000	2013/14 £000
Balance at 1 April	200,831	207,625
PPP unitary charge restatement adjustment	64	0
Additions during the year	33,847	0
Repayments during the year	<u>(6,940)</u>	<u>(6,794)</u>
Balance at 31 March	<u>227,802</u>	<u>200,831</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Public Private Partnerships and Similar Contracts - continued

41.2 Provision of Information Technology services

In 2001 the Council entered into a ten year Public Private Partnership for the provision of information technology services. This contract has now been extended for another five years.

The Council is in the process of tendering a new Information Technology contract, this is expected to be in place by 2016/17.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown):

Future Repayment		Inflationary
Period	£000	Uplift
2015/16	<u>28,222</u>	0.9%

The equipment assessed as a finance lease within this contract is included in note 40.1. The above payment includes the elements relating to the finance lease for the equipment.

The cost of information technology is included in overheads and is re-allocated to services.

41.3 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period.

Under the agreement the Council is committed to paying the following sums in cash terms:

Future Repayment	
Period	£000
2015/16	5,670
2016/17 - 2019/20	<u>19,845</u>
	<u>25,515</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.

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
2015/16	3,099
2016/17 - 2019/20	13,030
2020/21	<u>1,418</u>
	<u>17,547</u>

41.5 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 £23.573m.

NOTES TO THE FINANCIAL STATEMENTS

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.

	2014/15		2013/14	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	18,335		18,002	
As a percentage of teachers' pensionable pay		14.90		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2013/14	21,123		20,949	

At 31 March 2015, creditors include £2.487m (2013/14 £2.653m) 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 2014/15 the Council paid an employer's contribution of £54.843m (2013/14 £53.537m) into the Lothian Pension Fund, representing 21.3% (2013/14 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The latest review was in March 2014.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.2 Transactions Relating to Post-Employment Benefits - continued

	2014/15		2013/14	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	72,084		62,924	
Past service costs	<u>744</u>		<u>1,159</u>	
		72,828		64,083
<i>Financing and investment income:</i>				
Net interest expense		<u>23,254</u>		<u>20,364</u>
Total post employee benefit charged to the surplus on the provision of services		96,082		84,447
<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.	(204,649)		(25,871)	
Actuarial gains and (losses) arising on changes in financial assumptions	284,632		86,569	
Actuarial gains and (losses) arising on changes in demographic assumptions	103,126		0	
Other experience	<u>(26,361)</u>		<u>(77)</u>	
		<u>156,748</u>		<u>60,621</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>252,830</u>		<u>145,068</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(191,471)</u>		<u>(84,913)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		55,002		53,957
Contributions in respect of unfunded benefits		<u>6,357</u>		<u>6,198</u>
		<u>61,359</u>		<u>60,155</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:

	2014/15	2013/14
	£000	£000
Fair value of employer assets	2,144,897	1,862,816
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	<u>(89,384)</u>	<u>(86,924)</u>
Net liability arising from defined benefit obligation	<u>(726,969)</u>	<u>(535,498)</u>

43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2014/15	2013/14
	£000	£000
Opening fair value of scheme assets	1,862,816	1,755,330
Interest income	79,991	79,047
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	204,649	25,871
Contributions from employer	55,002	53,957
Contributions from employees into the scheme	16,416	16,055
Contributions in respect of unfunded benefits	6,357	6,198
Benefits paid	(73,977)	(67,444)
Unfunded benefits paid	<u>(6,357)</u>	<u>(6,198)</u>
Closing fair value of scheme assets	<u>2,144,897</u>	<u>1,862,816</u>

Reconciliation of Present Value of the Scheme Liabilities

	2014/15	2013/14
	£000	£000
Present value of funded liabilities	(2,311,390)	(2,118,412)
Present value of unfunded liabilities	<u>(86,924)</u>	<u>(87,503)</u>
Opening balance at 1 April	(2,398,314)	(2,205,915)
Current service cost	(72,084)	(62,924)
Interest cost	(103,245)	(99,411)
Contributions from employees into the scheme	(16,416)	(16,055)
Re-measurement gain / (loss):		
Change in financial assumptions	(284,632)	(86,569)
Change in demographic assumptions	(103,126)	0
Other experience	26,361	77
Past service cost	(744)	(1,159)
Benefits paid	73,977	67,444
Unfunded benefits paid	<u>6,357</u>	<u>6,198</u>
Closing balance at 31 March	<u>(2,871,866)</u>	<u>(2,398,314)</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.

	2014/15 £000	%	2013/14 £000	%
Consumer *	300,827	14	282,290	15
Manufacturing *	252,298	12	254,278	14
Energy and Utilities *	214,314	10	207,286	11
Financial Institutions *	176,717	8	129,756	7
Health and Care *	146,156	7	127,092	7
Information technology *	134,141	6	121,181	7
Other *	<u>96,065</u>	4	<u>82,308</u>	4
Sub-total Equity Securities	<u>1,320,518</u>		<u>1,204,191</u>	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	60,222	3
Corporate Bonds (non-investment grade) *	0	0	9,058	1
UK Government *	124,200	6	63,394	3
Other *	<u>52,894</u>	3	<u>1,590</u>	0
Sub-total Debt Securities	<u>177,094</u>		<u>134,264</u>	
Private Equity				
All *	0	0	15,180	1
All	<u>248,710</u>	12	<u>210,795</u>	11
Sub-total Private Equity	<u>248,710</u>		<u>225,975</u>	
Real Estate:				
UK Property	140,297	7	129,788	7
Overseas Property	<u>21,751</u>	1	<u>15,092</u>	1
Sub-total Real Estate	<u>162,048</u>		<u>144,880</u>	
Investment Funds and Unit Trusts:				
Equities *	23,272	1	19,329	1
Equities	0	0	6,922	0
Bonds *	6,161	0	0	0
Bonds	0	0	7,956	1
Commodities *	6,854	0	0	0
Commodities	0	0	6,329	0
Infrastructure *	12,898	1	0	0
Other *	6,933	0	0	0
Other	<u>7,662</u>	0	<u>6,055</u>	0
Sub-total Investment Funds and Unit Trusts	<u>63,780</u>		<u>46,591</u>	
Derivatives:				
Foreign Exchange *	3,289	0	0	0
Other *	<u>0</u>	0	<u>196</u>	0
Sub-total Derivatives	<u>3,289</u>		<u>196</u>	
Cash and Cash Equivalents				
All *	<u>169,458</u>	8	<u>106,719</u>	6
Sub-total Cash and Cash Equivalents	<u>169,458</u>		<u>106,719</u>	
Total Fair Value of Employer Assets	<u>2,144,897</u>	<u>100</u>	<u>1,862,816</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 2015 were those from the beginning of the year (i.e. 31 March 2014) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2014 to 31 December 2014	10.10%
Estimated return for period from 1 April 2014 to 31 March 2015	17.20%

Average future life expectancies at age 65:

		31.03.15	31.03.14
Current pensioners	male	22.1 years	20.4 years
Current pensioners	female	23.7 years	22.8 years
Future pensioners	male	24.2 years	22.6 years
Future pensioners	female	26.3 years	25.4 years

Period ended	Weighted Average Duration			31.03.14
	Short 31.03.15	Medium 31.03.15	Long 31.03.15	
Pension increase rate	2.1%	2.4%	2.5%	2.8%
Salary increase rate (see below)	4.0%	4.3%	4.4%	5.1%
Discount rate	3.1%	3.2%	3.3%	4.3%

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 2015 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2015	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	286,599
1 year increase in member life expectancy	3%	86,156
0.5% increase in the Salary Increase Rate	3%	98,188
0.5% increase in the Pension Increase Rate	6%	181,425

43.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.8 Information about the defined benefit obligation

	Liability Split		Duration
	£000	%	
Active members	1,482,169	53.3	23.1
Deferred members	335,701	12.1	22.4
Pensioner members	<u>964,612</u>	<u>34.6</u>	<u>11.9</u>
Total	<u>2,782,482</u>	<u>100.0</u>	<u>18.3</u>

The above figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2014.

The unfunded pensioner liability at 31 March 2015 comprises approximately £68.261m in respect of LGPS unfunded pensions and £21.123m in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2015, 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.

	2014/15 Pension Reserve (Injuries) £000	2013/14 Pension Reserve (Injuries) £000
Unusable Reserves		
Council	(726,969)	(535,498)
Lothian Valuation Joint Board	<u>(7,267)</u>	<u>(4,942)</u>
	<u>(734,236)</u>	<u>(540,440)</u>
Usable Reserves		
CEC Holdings	(1,289)	(1,289)
Festival City Theatres Trust	(122)	(100)
Edinburgh Leisure	(2,169)	(2,169)
Transport for Edinburgh Ltd	<u>(10,497)</u>	<u>10,488</u>
	<u>(14,077)</u>	<u>6,930</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 2016

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(81,608)	(81,608)	(31.2%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(81,608)	(81,608)	(31.2%)
Interest income on plan assets	68,446	0	68,446	26.2%
Interest cost on defined benefit obligation	0	(92,020)	(92,020)	(35.2%)
Total Net Interest Cost	68,446	(92,020)	(23,574)	(9.0%)
Total included in Profit or Loss	68,446	(173,628)	(105,182)	(40.2%)

The Council's estimated contribution to Lothian Pension Fund for 2015/16 is £55.638m.

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 £2.705m, including accrued payments (2013/14 £2.936m).

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 Investments and Pensions Service Manager, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

44. Contingent Liabilities

44.1 Contingent Liabilities

- There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.
- The provision for equal pay claims includes an estimate of the costs for all staff with unsettled equal pay claims against the Council as at 31 March 2015. Additional equal pay liabilities may arise if further eligible claims are made. This potential additional liability will be confirmed only by further eligible claims being lodged and its amount cannot be estimated with reasonable accuracy. Consequently, no provision has been made in the financial statements in respect of this.
- Whilst the Council has made an impairment provision for statutory repairs debtors, there may also be further liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.
- There may be claims submitted against the Council in relation to a decision by the European Court of Justice under the Working Time Directive. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

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 12 March 2015 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2015/16 has been set at £1.771bn. This is the maximum limit for external borrowings and other long term liabilities.
- The operational boundary for 2015/16 has been set at £1.750bn. This is the expected level of debt and other 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, the Forth Estuary Transport Authority 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 31st March 2015, the Council had no short term investments. Of the net Cash and Cash Equivalents, 2.6% were UK Government Treasury Bills, and a further 29.3% was held in two AAA rated Money Market Funds. All of the monies held on deposit at 31 March 2015 was in call or near call accounts with banks, with the exception of £2.5m held in the form of a Certificate of Deposit from Rabobank, a £2.5m fixed deposit with an Australian Bank and £2.5m held in two fixed term deposits with a UK building society.

The Council has reviewed its investment arrangements in light of the changes to the creditor hierarchy in the event of the insolvency of a bank. The Council has amended its cash Treasury Policy Statement to allow greater investment in collateralised instruments, such as covered bonds, which provide the Council with a greater level of protection in the event of an insolvency.

Excluding loans and receivables of £2.88m which are also shown in Creditors, the Council's own cash holding under its treasury management arrangements at 31 March 2015 was £96.4 million (31 March 2014: £38.3m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.15 £000	Carry Value 31.03.15 £000	Fair Value 31.03.15 £000	Carry Value 31.03.14 £000
Money Market Funds					
Deutsche Bank AG, London	AAA	14,146	14,152	14,152	5,043
Goldman Sachs	AAA	14,130	14,135	14,135	2,823
Bank Call Accounts					
Bank of Scotland	A	9,105	9,108	9,108	3,483
Royal Bank of Scotland	A-	1,278	1,278	1,278	1,313
Santander UK	A	8,836	8,839	8,839	3,603
Barclays Bank	A	9,226	9,238	9,238	3,514
Svenska Handelsbanken	AA-	14,368	14,373	14,373	5,415
Clydesdale Bank	AA-	3,736	3,736	3,736	0
HSBC Bank Plc	AA-	14,057	14,061	14,061	5,224
Floating Rate Note					
Rabobank	A+	2,491	2,509	2,509	0
Building Society Fixed Term Deposits					
Nationwide Building Society	A	2,490	2,491	2,491	1,743
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see Note 1)	n/a	0	0	0	4,381
UK Government Treasury Bills	AAA	2,490	2,490	2,490	1,742
		96,353	96,410	96,410	38,284

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £65.6m 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 2015 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 2015 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2015 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2015. 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 £1.767m (2013/14 £2.634m), trade debtors past due date can be analysed by age as follows:

	2014/15	2013/14
	£000	£000
Less than two months	18,283	14,108
Two to four months	2,008	1,312
Four to six months	2,066	507
Six months to one year	2,849	2,040
More than one year	11,093	11,925
Total	<u>36,299</u>	<u>29,892</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 provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

45.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 45.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

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 financial liabilities is as follows:

	2014/15 £000	2013/14 £000
Less than one year	(75,077)	(50,315)
Between one and two years	(65,227)	(58,204)
Between two and five years	(188,310)	(182,328)
Between five and ten years	(260,587)	(274,586)
More than ten years	<u>(1,063,998)</u>	<u>(1,079,491)</u>
Financial Liabilities	<u>(1,653,199)</u>	<u>(1,644,924)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £18.597m (2013/14 £11.141m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.854m (2013/14 £18.293m) nor net equivalent interest rate (EIR) adjustments of £9.041m (2013/14 £9.196m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investments which the Council has with a maturity of greater than one year is £3.5m 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.

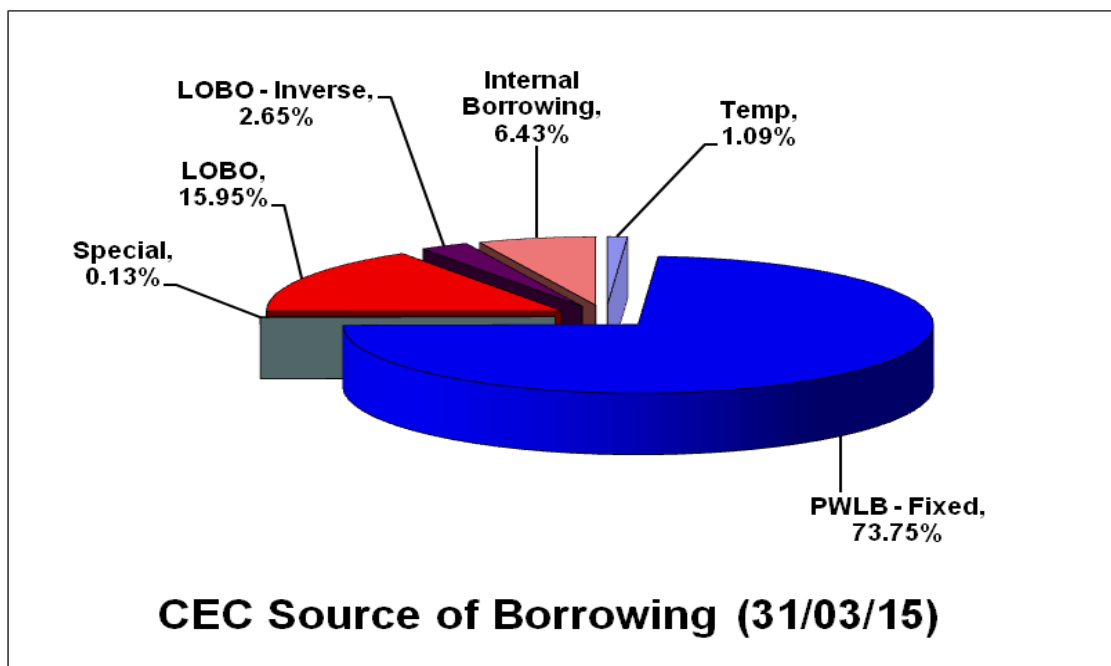
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. 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

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



Price Risk

The Council does not generally invest in equity shares but does have shareholdings to a value of £23.335m (2013/14 £23.335m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BID). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket and Queensferry Ambition.

	2014/15	2013/14
	£000	£000
Monies to be recovered from ratepayers at 1 April	29	5
BID Levy Income	2,389	1,147
Less: Payments made / due to schemes	<u>(2,228)</u>	<u>(1,123)</u>
Monies still to be recovered from ratepayers at 31 March	<u>190</u>	<u>29</u>

The monies raised through the BIDs are used to fund activities around similar key themes, including:

- area promotion - advertising, marketing and events
- clean and attractive area - cleaning teams, floral displays, street décor, cleanliness surveys
- safe and secure area - CCTV, improved lighting, transport marshals
- accessibility - pedestrian friendly environment, parking promotions, signage; and
- business initiatives - grants, skills partnerships, start up advice

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to seven. In 2011/12, 28 charities were consolidated into one new charity, the Edinburgh Education Trust.

47.1 Purpose, and financial position, of the largest of the charitable funds

- **Jean F. Watson Bequest (Scottish Charity Reg. No. SC018971)**

The purpose of the fund is to purchase works of art by artists who have connections with the city.

	31.03.15	(re-stated) 31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(25)	(21)
Expenditure	1	0
Assets	6,198	4,805
Liabilities	0	0

- **Surplus Fire Fund (Scottish Charity Reg. No. SC018967)**

The purposes of the fund are to offer relief to persons that have suffered as the result of a fire and to recognise meritorious service in connection with fires. In both cases the fire must have occurred in the Edinburgh area.

A decision was made to transfer the Surplus Fire Fund (SFF) to the Edinburgh Voluntary Organisations Trust (EVOT) by the Pension and Trusts Committee on 6 December 2011. The transfer was agreed subject to a safeguard in the deed of appointment which ensures that the Surplus Fire Fund operates as a restricted fund within EVOT and that the Fire Brigades Union will have the right to send up to two representatives to meetings where Surplus Fire Fund business is considered. The transfer required new legislation to be passed which successfully progressed through the Scottish Parliament in April 2014. As a result, the transfer was successfully completed in 2014/15.

	31.03.15	31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(10)	(30)
Expenditure	1	38
Assets	0	1,289
Liabilities	0	(6)

- **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.

	31.03.15	31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(1)	(1)
Expenditure	1	1
Assets	7,041	7,038
Liabilities	0	0

- **Edinburgh Education Trust (Scottish Charity Reg No SC042754)**

The purposes of the Trust include the advancement of education, citizenship and community development, and the organisation of recreational activities.

	31.03.15	(re-stated) 31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(21)	(14)
Expenditure	5	9
Assets	886	815
Liabilities	0	0

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.2 The main funds are:

Scottish Registered Charities	Scottish Charity Registration Number	Market Value	(re-stated)
		31.03.15 £000	Market Value 31.03.14 £000
Lauriston Castle	SC020737	7,041	7,038
Jean F. Watson	SC018971	6,198	4,805
Surplus Fire Fund	SC018967	n/a	1,283
Edinburgh Education Trust	SC042754	886	815
Nelson Halls	SC018946	224	209
Boyd Anderson	SC025067	120	123
Usher Hall Appeal	SC030180	70	72
Royal Scots Memorial Trust	SC018945	33	29
Total market value		<u>14,572</u>	<u>14,374</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

47.3 Financial Position of the Scottish Registered Charity Funds

2013/14 £000	Income and Expenditure Account	Note	2014/15 £000
	Income		
(72)	Investment income		(64)
<u>0</u>	Other non-investment income		<u>0</u>
(72)			(64)
	Expenditure		
(14)	Prizes, awards and other expenses	1.	10
<u>14</u>	Governance Costs		<u>9</u>
<u>0</u>			<u>19</u>
<u>(72)</u>	Surplus for the year		<u>(45)</u>

Notes

- The negative expenditure shown against Prizes, Awards and Other Expenses in 2013/14 relates to the reversal of accruals made in respect of awards agreed by the Boyd Anderson Trust. The potential creditors were not able to meet the conditions set for payment of the awards.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.3 Financial Position of the Scottish Registered Charity Funds - continued

2013/14 Balance Sheet £000	2014/15 £000
Long-Term Assets	
3,008 Investments	1,940
3,928 Artworks - Jean Watson Trust	5,232
<u>7,020</u> Heritable property	<u>7,020</u>
13,956 Total Long-Term Assets	14,192
Current Assets	
<u>478</u> Cash and bank	<u>413</u>
478	413
Current Liabilities	
<u>(60)</u> Creditors	<u>(33)</u>
<u>(60)</u>	<u>(33)</u>
<u>14,374</u> Total Assets less Liabilities	<u>14,572</u>
Funds at 1 April 2014	
4,160 Capital at 1 April 2014	4,301
72 Surplus for the year	45
69 Realised and unrealised gains on investments	140
(1) Realised and unrealised losses on investments	0
<u>0</u> Surplus Fire Fund Transfer to EVOT	<u>(1,292)</u>
4,300	3,194
<u>10,074</u> Revaluation reserve	<u>11,378</u>
<u>14,374</u> Funds at 31 March 2015	<u>14,572</u>

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Finance Division - Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.4 Financial Position of Other Funds

2013/14 Income and Expenditure Account		2014/15
£000 Income		£000
(1)	Investment income	0
(1)		0
Expenditure		
1	Administrative expenses	1
1		1
0	(Surplus) / Deficit for the year	1
2013/14 Balance Sheet		2014/15
£000 Current Assets		£000
48	Cash and bank	48
48		48
Current Liabilities		
(1)	Balance with City of Edinburgh Council	(2)
(1)		(2)
47	Total Assets less Liabilities	46
47	Capital at 1 April	47
0	Deficit for the year	(1)
0	Compensation fund paid	0
47	Capital at 31 March	46

48. Scottish Cities Alliance

The Scottish Cities Alliance was created in 2012 to promote collaboration between Scotland's cities and the Scottish Government to grow city economies, create jobs and deliver benefits across the country. Total Scottish Government investment funding of £7m has been provided to take forward a range of relevant initiatives. The Council undertakes, on an agency basis, the associated financial administration. During the year, £1.337m was paid out to the respective lead authorities of the projects concerned.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance as at 1 April		6,045		6,909
Contribution from Scottish Government		90		0
Investment income		21		25
Less: Payments made:				
Aberdeen City Council	(64)		(42)	
City of Edinburgh Council	(749)		(340)	
Dundee City Council	(140)		(49)	
Glasgow City Council	(367)		(280)	
Highland Council	(15)		(148)	
Perth and Kinross Council	(2)		(10)	
Stirling Council	0		(20)	
		(1,337)		(889)
Balance as at 31 March		4,819		6,045

As of April 2015, the Alliance had approved total project funding allocations of £3.96m (£2.65m April 2014), covering a range of initiatives spanning the areas of sustainability, digital connectivity and city promotion.

The funding to the Scottish Council for Development and Industry will be paid on receipt of authorisation from the Scottish Government.

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 2013/14, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

Group Account Changes

- The 2013/14 Group Accounts included the results of Lothian Buses. The Council's major shareholding in Lothian Buses was transferred to Transport for Edinburgh Limited in 2014. The comparative figures have been restated to show the results of Transport for Edinburgh.
- Lothian Valuation Joint Board audit adjustment in 2013/14 audited accounts for losses on disposal of non-current assets.
- CEC Holdings Ltd has restated the 2013/14 accounts to reclassify land.

49.2 Impact on Financial Statements

Movement in Reserves Statement	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
<u>Balance at 31 March 2013</u>					
Group usable reserves	1,347	5,227	2,113	0	8,687
Group unusable reserves	1,311,895	(5,457)	68	0	1,306,506
<u>Surplus on the provision of services</u>					
Group usable reserves	5,247	(2)	(735)	(5)	4,505
<u>Other comprehensive income and expenditure</u>					
Group usable reserves	17,896	2	(4)	0	17,894
Group unusable reserves	698	0	(1)	0	697
<u>Adjustments between accounting basis and funding basis under regulations</u>					
Group usable reserves	247	0	0	5	252
Group unusable reserves	(247)	0	0	(5)	(252)
<u>Transfer to / (from) other statutory reserves</u>					
Group usable reserves	142	(8,288)	0	0	(8,146)
Group unusable reserves	(142)	8,288	0	0	8,146
<u>Minority interest and other consolidation adjustments</u>					
Group usable reserves	(2,475)	2,475	0	0	0
Group unusable reserves	12	(5,836)	0	0	(5,824)
<u>Balance at 31 March 2014</u>					
Group usable reserves	22,404	(588)	1,376	0	23,192
Group unusable reserves	101,114	7,907	(67)	(5)	108,949

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Comprehensive Income and Expenditure Statement

	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Planning and Development Services	31,690	0	1,499	0	33,189
Other Operating Income and Expenditure	111	0	93	0	204
Associates and joint ventures	1,719	0	0	5	1,724
Cost of Services	953,729	0	1,592	5	955,326
Financing and Investment Income / Expenditure					
- Net (surplus) / deficit from trading activities	(148)	0	(94)	0	(242)
Taxation and Non-Specific Grant Income					
- Taxation expenses	2,669	2	(763)	0	1,908
Deficit on Provision of Services	41,228	2	735	5	41,970
Other unrealised losses	(16,961)	0	3	0	(16,958)
Total Comprehensive Expenditure	35,676	2	738	5	36,421

Group Balance Sheet

	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Long-term assets					
- Long-term investments	5,125	0	2	0	5,127
Current assets					
- Assets held for sale	7,389	0	(4,500)	0	2,889
- Inventories	14,220	0	3,000	0	17,220
- Short-term debtors (net of impairment)	122,809	31	760	0	123,600
- Cash and cash equivalents	37,270	197	0	0	37,467
Current liabilities					
- Short-term creditors	(175,592)	(230)	2,047	0	(173,775)
- Provisions	(19,577)	0	0	0	(19,577)
Long-term liabilities					
- Liabilities in associates and joint ventures	(5,918)	0	0	(5)	(5,923)
Net assets	1,916,379	(2)	1,309	(5)	1,917,681
Group unusable reserves	101,114	7,907	(67)	(5)	108,949
Group usable reserves	22,404	(588)	1,376	0	23,192
Total group reserves	1,909,058	7,319	1,309	(5)	1,917,681
Minority interests	7,321	(7,321)	0	0	0
Total reserves	1,916,379	(2)	1,309	(5)	1,917,681

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Cash Flow Statement	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	2013/14 Re-stated £000
Operating activities				
- Taxation	(213,050)		258	(212,792)
- Sales of goods and rendering of services	(512,304)	(631)	107	(512,828)
Cash inflows from operating activities	(1,878,042)	(631)	365	(1,878,308)
- Cash paid to suppliers of good and services	746,329	434	(537)	746,226
- Interest paid	96,786	0	20	96,806
Cash outflows from operating activities	1,662,675	434	(517)	1,662,592
Net Cash flows from operating activities	(215,367)	(197)	(152)	(215,716)
Investing activities				
Purchase of property, plant and equipment, investment property and intangible assets	225,525	0	77	225,602
Other payments for investing activities	48,919	0	24	48,943
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(17,617)	0	51	(17,566)
Cash equivalents at 1 April	(94,532)	0	0	(94,532)
Cash equivalents at 31 March	(37,270)	(197)	0	(37,467)

49.3 Presentational Adjustments

The presentation of the current and prior year reserves has been amended throughout the financial statements to aid understanding. The figures have been inverted to present increases and balances held as positive values and reductions as negative values.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2015

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.

2013/14		2014/15	
£000	EXPENDITURE	£000	£000
24,713	Repairs and maintenance	27,256	
20,012	Supervision and management	21,453	
52,082	Depreciation and impairment of non-current assets	18,266	
4,406	Other expenditure	5,719	
1,210	Impairment of debtors *	1,325	
102,423			74,019
	INCOME		
(85,504)	Dwelling rents	(90,840)	
(457)	Non-Dwelling rents (gross)	(377)	
(15,197)	Other income *	(15,632)	
(101,158)			(106,849)
1,265	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(32,830)
533	HRA share of corporate and democratic core		319
137	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		72
1,935	Net expenditure / (income) for HRA Services		(32,439)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
534	Loss on sale of HRA fixed assets	307	
18,940	Interest payable and similar charges	18,936	
2,556	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,434	
(87)	Interest and investment income	(81)	
(2,032)	Interest income on plan assets (<i>pension-related</i>)	(1,886)	
(3,301)	Capital grants and contributions	(4,747)	
16,610			14,963
18,545	Deficit / (surplus) for the year on HRA services		(17,476)

* See HRA Note 2 on Page 124

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2013/14 £000		2014/15 £000
0	Balance on the HRA at the end of the previous year	0
(18,545)	Surplus / (deficit) for the year on the HRA Income and Exp Account	17,476
22,843	Adjustments between accounting basis and funding basis under statute	(14,973)
<u>4,298</u>	Net increase before transfers to reserves	<u>2,503</u>
<u>(4,298)</u>	Contribution to renewal and repairs fund, via the General Fund	<u>(2,503)</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
52,082	Charges for depreciation and impairment of non-current assets	18,266
(3,301)	Capital grants and contributions applied	(4,747)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(23,163)	Statutory provision for the financing of capital investment	(23,123)
(3,575)	Capital funded from revenue	(5,649)
	Adjustments primarily involving the Capital Receipts Reserve	
534	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	307
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(397)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(460)
	Adjustments primarily involving the Pensions Reserve	
1,009	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	1,081
(450)	Employer's pension contributions and direct payments to pensioners payable in the year	(426)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
104	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	(222)
<u>22,843</u>		<u>(14,973)</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 2015 are as follows:

Types of Houses	2015		2014	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	302	3,653.00	302	3,446.00
2 Apartment	5,473	4,100.00	5,470	3,868.00
3 Apartment	10,184	4,752.00	10,245	4,483.00
4 Apartment	3,458	5,473.00	3,456	5,163.00
5 Apartment	521	5,891.00	525	5,558.00
6 Apartment	9	5,924.00	9	5,589.00
7 Apartment	4	5,739.00	4	5,414.00
8 Apartment	1	5,739.00	1	5,414.00
Mid-market rent dwellings				
2 Apartment	6	5,337.00	6	5,337.00
3 Apartment	39	6,878.00	39	6,878.00
4 Apartment	7	7,924.00	7	7,924.00
	<u>20,004</u>		<u>20,064</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

2. The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £4.327m (£3.967m 2013/14) against which a provision amounting to £4.326m (£3.002m 2013/14), has been created in respect of non collectable debts.

* Presentational amendment to reflect movement in bad debt providing enhanced disclosure.

3. Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.

4. The total value of uncollectable void rents for main provision properties was £0.545m (2013/14 £0.644m). 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 2015

2013/14 £000		2014/15 £000	£000
(295,075)	Gross council tax levied and contributions in lieu		(297,767)
48,500	Less: - Exemptions and other discounts	48,938	
8,602	- Provision for bad debts	8,333	
27,021	- Council Tax Reduction Scheme	25,785	
2,866	- Other reductions	2,107	
<u>86,989</u>			<u>85,163</u>
(208,086)			(212,604)
<u>189</u>	Previous years' adjustments		<u>(307)</u>
<u>(207,897)</u>	Total transferred to General Fund		<u>(212,911)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 95.4% (2013/14 94.7%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A Council Tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is a second home. Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2014/15

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	23,160	81	(3,172)	(3,273)	16,796	6/9	11,197	£779.33
B £27,001 - £35,000	46,915	69	(3,712)	(6,475)	36,797	7/9	28,620	£909.22
C £35,001 - £45,000	43,716	(30)	(3,220)	(5,070)	35,396	8/9	31,463	£1,039.11
D £45,001 - £58,000	37,534	67	(2,911)	(3,778)	30,912	9/9	30,912	£1,169.00
E £58,001 - £80,000	39,700	(30)	(3,412)	(3,311)	32,947	11/9	40,269	£1,428.78
F £80,001 - £106,000	24,003	(29)	(1,265)	(1,788)	20,921	13/9	30,219	£1,688.56
G £106,001 - £212,000	20,650	(101)	(554)	(1,142)	18,853	15/9	31,422	£1,948.33
H Over £212,000	3,847	(27)	(134)	(164)	3,522	18/9	7,044	£2,338.00
							211,146	
							533	
							-7,112	
							<u>204,567</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 2015

2013/14 £000		2014/15 £000	£000
(418,354)	Gross rates levied and contributions in lieu		(428,072)
68,484	Less: - Reliefs and other deductions	71,611	
4,859	- Uncollectable debt written off and provision for impairment	4,588	
<u>73,343</u>			<u>76,199</u>
(345,011)			(351,873)
<u>19,901</u>	Previous years' adjustments		<u>7,684</u>
<u>(325,110)</u>	Net Non-Domestic Rates Income		<u>(344,189)</u>
	Allocated to:		
(325,563)	Contribution to National Non-Domestic Rates Pool		(344,628)
453	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		439
<u>(325,110)</u>			<u>(344,189)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2014

	Number	Rateable Value £000
Shops, offices and other commercial subjects	13,905	644,941
Industrial and freight transport	2,717	75,054
Telecommunications	8	15
Public service subjects	345	47,219
Miscellaneous	2,741	142,389
	<u>19,716</u>	<u>909,618</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £344.628m (2013/14 £325.563m) is the non-domestic rates contributed by the Council through the pooling arrangements for government grant purposes. The amount distributed to the Council under these pooling arrangements was £364.108m (2013/14 £334.630m).

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 47.1 per £ in 2014/15 (2013/14 46.2p per £).

Properties with a rateable value greater than £35,000 (2013/14 £35,000) had their rate charges calculated using the poundage of 48.2p per £ (2013/14 47.1p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

100% Relief	below	£10,000
50% Relief	£10,001 to	£12,000
25% Relief	£12,001 to	£18,000
Upper limit for combined rateable value		£35,000

COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

During 2014/15, the Council generated two capital receipts for the Common Good. Air rights above Common Good land in the Grassmarket were sold for £35,000 which was credited to the Common Good Fund. There has been no reduction in the value of the Common Good assets.

The sale of East Market Street garage as part of package of properties was also completed in 2014/15. The Common Good account was credited with a receipt of £1,182,950. The receipt, net of costs associated with the disposal, was transferred to an earmarked reserve pending reconsideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of the rationalisation of office accommodation.

During 2014-15 HM Treasury advised of their intention to redeem the War Stock and Conversion Stock bonds held by the Common Good Fund at face value. The redemption of the War Stock bond was completed in March 2015. The market value of the remaining bond was restated in the accounts at its face value of £340 as at 31 March 2015.

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	FFF Earmarked Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2014/15 Movements					
Balance at 31 March 2014	1,650	0	(20)	23,928	25,558
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	0	0	0	(885)	(885)
Total Comprehensive Income and Expenditure	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
Net increase / decrease before transfers to earmarked reserves	1,186	0	(2)	(2,068)	(884)
Transfer to / from earmarked reserves	(1,182)	1,182	0	0	0
Increase / decrease in year	4	1,182	(2)	(2,068)	(884)
Balance at 31 March 2015	1,654	1,182	(22)	21,860	24,674

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2013/14 Comparative Data				
Balance at 31 March 2013	1,615	(20)	24,085	25,680
Movement in reserves during 2013/14				
Surplus on the provision of services	35	0	0	35
Revaluation Reserve	0	0	(157)	(157)
Total Comprehensive Income and Expenditure	35	0	(157)	(122)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	35	0	(157)	(122)
Transfer to / from earmarked reserves	0	0	0	0
Increase / decrease in year	35	0	(157)	(122)
Balance at 31 March 2014	<u>1,650</u>	<u>(20)</u>	<u>23,928</u>	<u>25,558</u>

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Re-stated 2013/14 £000	2014/15 £000	£000
11 Common Good Fund	44	
<u>(38) Income from Sale of Fixed Assets</u>	<u>(1,218)</u>	
(27) COST OF SERVICES	(1,174)	
Financing and Investment Income		
0 Income from redemption of investment bonds	(2)	
<u>(8) Interest and investment income</u>	<u>(10)</u>	
(35) SURPLUS ON PROVISION OF SERVICES		(1,186)
157 Deficit on revaluation of non-current assets	885	
<u>0 Other unrealised gains</u>	<u>0</u>	
<u>157 Other Comprehensive Income and Expenditure</u>		<u>885</u>
<u>122 TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</u>		<u>(301)</u>

The 2013/14 figures have been restated to include an omission of the deficit on revaluation of non-current assets.

COMMON GOOD FUND - BALANCE SHEET

31 March 2014 £000		31 March 2015 £000	£000
<u>23,824</u>	Community Assets	<u>21,757</u>	
<u>23,824</u>	Property, Plant and Equipment		21,757
104	Heritage Assets	103	
<u>2</u>	Long-term Investments	<u>0</u>	
<u>106</u>	Long-term Assets		103
183	Short-Term Investments	2,756	
<u>1,445</u>	Cash and Cash Equivalents	<u>58</u>	
<u>1,628</u>	Current Assets		<u>2,814</u>
<u>25,558</u>	Net Assets		<u>24,674</u>
23,928	Revaluation Reserve	21,860	
<u>(20)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>23,908</u>	Unusable Reserves		21,838
1,650	Common Good Fund	1,654	
<u>0</u>	Earmarked Reserve	<u>1,182</u>	
<u>1,650</u>	Usable Reserves		<u>2,836</u>
<u>25,558</u>	Total Reserves		<u>24,674</u>

The unaudited accounts were issued on 19 June 2015. The audited accounts were authorised for issue on 24 September 2015.

HUGH DUNN, CPFA
Head of Finance
24 September 2015

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2014	23,824	23,824	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,067)	(2,067)	(1)
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
Accumulated Depreciation			
At 1 April 2014	0	0	0
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value			
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>
Cost or Valuation			
At 1 April 2013	23,981	23,981	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(157)	(157)	0
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>
Accumulated Depreciation			
At 1 April 2013	0	0	0
At 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value			
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>
At 31 March 2013	<u>23,981</u>	<u>23,981</u>	<u>104</u>

1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2015 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	17

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 128).

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.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance at 1 April		23,928		24,085
Upward revaluation of assets	412		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1,297)		(157)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		(885)		(157)
Derecognition of asset disposals		(1,183)		0
Balance at 31 March		<u>21,860</u>		<u>23,928</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.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance at 1 April		(20)		(20)
Adjustment for revaluation of Government investment bonds		(2)		0
Balance at 31 March		<u>(22)</u>		<u>(20)</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 explains how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 37 of the Accounts.

The Group's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Strategy and Governance manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. The framework meets the principles of effective governance.

The key elements of the Council's corporate governance framework are set out below:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2015-2018.
- The Edinburgh Partnership Community Plan 2015-2018 sets out the shared objectives of the Council and its community planning partners and details their vision, strategic priorities and intended outcomes for the Edinburgh area, its citizens and service users. The Edinburgh Partnership Community Plan 2015-2018 has been agreed by the Council and community planning partners.
- Governance arrangements for the Edinburgh Partnership Community Plan include the Edinburgh Partnership Board to lead the Partnership and be responsible for its effectiveness; a Partnership Executive to act as a vehicle for wider advice, consultation, involvement and communication; and designated strategic partnerships for delivery of intervention and prevention areas.
- Formal local community planning arrangements to support and engage with community planning groups and Community Councils; ensuring that service needs and priorities of local communities are identified and can influence Council policy and services.
- The Council's long term financial plan underpins the revenue budget and strategic planning frameworks, enabling it to manage expected future costs and service demands, aligning service delivery to the Council's Transformation and Improvement Plan to address these demands and deliver best value from available resources.

ANNUAL GOVERNANCE STATEMENT

The key elements of the Council's corporate governance framework - continued

- The Corporate Programme Office provides a single and central structure with oversight of all significant Council projects.
- A performance management framework, incorporating internal and public performance reporting, enables the Council to regularly report performance in achieving its key corporate objectives.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Group, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management.
- The Director of Corporate Governance has overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Chief Finance Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.
- The Council's Strategy and Governance Manager has responsibility for advising the Council on corporate governance arrangements.
- The Governance, Risk and Best Value Committee provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides independent scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk based plan, and monitors performance of the internal audit service.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Group and Governance, Risk and Best Value Committee for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of Elected Members' salaries, allowances and expenses is published on the Council's website.
- The Council's Strategy and Governance Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.

ANNUAL GOVERNANCE STATEMENT

The key elements of the Council's corporate governance framework - continued

- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to identify and prioritise risks to the achievement of the Group's objectives.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Strategy and Governance Manager has reviewed the effectiveness of the Code and reported the result to the Governance, Risk and Best Value Committee in August 2015.

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal, Risk and Compliance but had free access to the Chief Executive, all directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

The Chief Internal Auditor and Council's Strategy and Governance Manager have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Group which develops and maintains the governance environment;
- The certified annual assurance statements provided by all 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 Strategy and Governance Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- reports by external, statutory inspection agencies.

In compliance with standard accounting practice, the Head of Finance has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2015. It is the Head of Finance's opinion that reasonable assurance can be placed upon its effectiveness.

Each service director has reviewed the arrangements in his / her service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered any relevant third party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement with these companies.

ANNUAL GOVERNANCE STATEMENT

These reviews have identified that we need to continue to develop:

By the Council:

- mitigating risks associated with the Council's transformation process, including structural and operating model changes;
- the Best Value audit actions: transformational change, corporate working, workforce, ICT, risk and scrutiny, staff engagement and budget;
- the Council's asset management strategy;
- the processes to ensure compliance with policies and procedures;
- the processes to ensure compliance with health and safety legislation, regulations and guidance;
- the implementation of action plans agreed with external inspection agencies;
- the implementation of all other actions identified by service directors in statements of assurance; and
- the planning for and implementation of health and social care integration.

By the Group:

- long-term financial planning and links to outcomes; and
- embedding and building on recent structural changes and improvements in governance arrangements to take advantage, as appropriate, of the emerging signs of economic recovery.

The proposed improvements do not indicate any significant gaps or weaknesses in the existing governance framework.

Certification

It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

ANDREW KERR
Chief Executive

24 September 2015

ANDREW BURNS
Council Leader

24 September 2015

ALASTAIR MACLEAN
Deputy Chief Executive

24 September 2015

REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration is over £150,000 per annum. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 per annum.

All information disclosed in the tables on pages 136 to 146 in this remuneration report has been audited by Audit Scotland. The other sections of the remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration Arrangements

Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for Councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory non-departmental public body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority Councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/15, the remuneration for the Leader of the City of Edinburgh Council was £49,683. 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 2014/15 this was £37,262. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of Senior Councillors shall not exceed £645,873. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below. Posts in italics were remunerated until the dates shown.

	Number of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Governance, Risk and Best Value	1	50%
Convener of Communities and Neighbourhoods	1	45%
Convener of Police and Fire Scrutiny	1	40%
Vice-Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	45%
Opposition Group Leaders - Conservative and Green Groups	2	50%

REMUNERATION REPORT

Councillors - continued

In addition, the Council remunerated the Conveners and Vice Conveners of Joint Boards. The Council has an arrangement with the Joint Boards to reimburse the Council for the additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/146 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2013 to March 2015. Circular CO/147 provides a revised Scheme of Salaries and Conditions of Service for Chief Officials.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Corporate Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether there is to be an annual pay increase applied to the national salary points, and at what level, for Chief Executive and Chief Officer posts is made by the SJNC for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care is a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employ the post holder directly.

The Council's role in determining the remuneration policies for its companies is currently under review.

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Details on roles held by Councillors are set out on pages 137 and 138. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, regardless of whether a senior Councillor role was held for the full year.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
A. Burns, Leader of the Council	49,683	0	214	49,897	49,371
D. Wilson, Lord Provost	37,262	0	620	37,882	41,715
S. Cardownie, Depute Leader of the Council (<i>until 12.03.15</i>)	36,149	0	127	36,276	37,033
S. Howat, Depute Leader of the Council (<i>from 12.03.15</i>) and Vice Convener Planning (<i>until 12.03.15</i>)	23,158	0	715	23,873	23,071
D. Brock, Depute Convener	24,841	0	394	25,235	25,658
R. Lewis, Convener of Culture and Sport	32,294	168	1,665	34,127	32,330
F. Ross, Convener of Economy	32,294	0	2,266	34,560	33,859
P. Godzik, Convener Education, Children and Families	32,294	0	267	32,561	32,710
A. Rankin, Convener Finance and Resources	32,294	0	710	33,004	32,699
R. Henderson, Convener Health, Social Care and Housing	32,294	0	708	33,002	33,283
I. Perry, Convener Planning	32,294	0	187	32,481	32,252
G. Barrie, Convener Regulatory	32,294	0	708	33,002	32,705

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
Council's Leader, Civic Head and Senior Councillors					
L. Hinds, Convener Transport and Environment	32,294	0	1,263	33,557	32,895
E. Milligan, Convener Licensing Board	29,809	655	18	30,482	30,310
M. Child, Convener Communities and Neighbourhoods	22,357	0	95	22,452	22,485
J. Balfour, Convener Governance, Risk and Best Value	24,841	0	441	25,282	25,030
M. Chapman, (<i>remunerated as Petitions Convener until 01.05.13</i>)	n/a	n/a	n/a	n/a	17,614
M. Bridgman, Convener Police and Fire Scrutiny	19,873	555	139	20,567	19,347
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,357	0	0	22,357	22,135
G. Munro, Vice Convener of Economy	22,357	0	708	23,065	22,388
C. Fullerton, Vice Convener Education, Children and Families	22,357	0	144	22,501	22,292
B. Cook, Vice Convener Finance and Resources	22,357	0	0	22,357	22,135
C. Day, Vice Convener Health, Social Care and Housing	22,357	13	481	22,851	22,360
A. Blacklock, Vice Convener Regulatory	22,357	0	758	23,115	22,866
A. McVey, Vice Convener Transport and Environment (<i>from 14.03.14</i>)	22,357	0	708	23,065	17,413
D. Dixon, Vice Convener Planning (<i>from 12.03.15</i>)	16,872	314	200	17,386	n/a
<u>Former Vice-Conveners</u>					
J. Orr (<i>from 02.05.13 to 04.03.14</i>)	n/a	n/a	n/a	n/a	22,645
W. Henderson (<i>until 24.11.13</i>)	n/a	n/a	n/a	n/a	19,267
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	24,841	0	99	24,940	24,596
S. Burgess, Green Group Leader	24,841	0	933	25,774	25,435
P. Edie, (<i>remunerated as Liberal Democrat Group Leader until 01.05.13</i>)	n/a	n/a	n/a	n/a	16,792
Councillors					
N Work, Convener Lothian Valuation Joint Board (<i>Note 1</i>)	20,702	0	968	21,670	20,496

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2014/15 was £4,142 (2013/14 £4,101). Expenses relate to Councillor role.

REMUNERATION REPORT

Remuneration Paid - continued 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):

	2014/15 £	2013/14 £
Salaries	1,266,880	1,252,631
Expenses		
Claimed by councillors	2,486	2,062
Paid directly by the Council	28,732	33,925
Total	<u>1,298,098</u>	<u>1,288,618</u>

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
Council's Senior Officers				
S. Bruce, Chief Executive	161,741	0	161,741	160,207
G. Tee, Director Children and Families	143,505	0	143,505	142,083
A. Maclean, Director Corporate Governance	134,760	0	134,760	133,425
P. Gabbitas, Director Health and Social Care	65,202	0	65,202	63,431
M. Turley, Director Services for Communities (<i>until 30.06.14</i>) (<i>full year equivalent</i>)	39,118	30,000	69,118	135,570
J. Bury, Acting Director Services for Communities (<i>from 08.05.14</i>) (<i>full year equivalent</i>)	120,994	0	120,994	n/a
G. Ward, Director of Economic Development (<i>from 24.10.13</i>) (<i>full year equivalent</i>)	99,747	0	99,747	43,275
M. Miller, Chief Social Work Officer	99,747	0	99,747	98,760
H. Dunn, Head of Finance	105,003	0	105,003	103,962
Total	<u>969,817</u>	<u>30,000</u>	<u>999,817</u>	<u>880,713</u>

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. S. Bruce waived all fees in respect of 2014/15 for returning officer duties - the authorised amount was £16,423 for returning officer duties relating to the European Parliamentary Election and £16,777 for counting officer duties relating to the Scottish Independence Referendum.
2. J. Bury was appointed Acting Director in May 2014. Salaries shown for J. Bury and M. Turley relate to the responsibilities as shown.
3. P. Gabbitas is employed by NHS Lothian and 50% of his salary costs are recharged to the Council. The above figures therefore show the Council's share.

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 2014 and 2013 respectively.

Council's Subsidiary Companies	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Compensation for Loss of Office £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
E. Adair, Operations and Finance Director, EDI Group	102,513	0	1,616	0	104,129	102,974
H. Rissmann, Chief Executive, EICC (<i>until 31.03.15</i>)	158,034	0	0	0	158,034	156,884
M. Dallas, Chief Executive, EICC (<i>from 01.10.14</i>) (<i>full year equivalent</i>)	32,500	0	0	0	32,500	0
					130,000	0
<u>Marketing Edinburgh Ltd.</u>						
J Donnelly, Chief Executive (<i>Note 2</i>)	116,600	0	0	0	116,600	88,100
J. Rafferty, Chief Executive, Capital City Partnership	71,720	0	0	0	71,720	71,015
<u>Lothian Buses Ltd.</u>						
I Craig, Managing Director	186,349	0	13,177	0	199,526	269,388
W. Campbell, Operations Director	154,045	0	1,179	0	155,224	197,755
W. Devlin, Engineering Director	154,045	0	2,128	0	156,173	199,078
N. Strachan, Finance Director	154,045	0	672	0	154,717	197,793
G.Hughes, HR Director (<i>Note 3</i>)	103,530	0	9,000	85,779	198,309	143,064
<u>Edinburgh Trams Ltd.</u>						
T Norris, Director and General Manager (<i>from 01.09.13</i>) (<i>full year equivalent</i>)	80,000	11,100	735	0	91,835	36,735
						89,602
	<u>1,313,381</u>	<u>11,100</u>	<u>28,507</u>	<u>85,779</u>	<u>1,438,767</u>	<u>1,462,786</u>

Notes:

- Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. and personal healthcare within Edinburgh Trams Ltd.
- Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £116,600 in 2014/15, of which £6,600 is VAT (2013/14 £88,100).
- The exit package for G Hughes of £85,779 was paid in February 2015.

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.

	2014/15	2013/14		2014/15	2013/14
£50,000 - £54,999	203	170	£105,000 - £109,999	1	0
£55,000 - £59,999	94	88	£110,000 - £114,999	0	1
£60,000 - £64,999	31	30	£115,000 - £119,999	0	0
£65,000 - £69,999	32	27	£120,000 - £124,999	0	0
£70,000 - £74,999	37	30	£125,000 - £129,999	0	0
£75,000 - £79,999	4	8	£130,000 - £134,999	2	1
£80,000 - £84,999	2	5	£135,000 - £139,999	0	1
£85,000 - £89,999	3	3	£140,000 - £144,999	1	1
£90,000 - £94,999	1	1	£145,000 - £149,999	0	0
£95,000 - £99,999	15	13	£150,000 - £154,999	0	0
£100,000 - £104,999	1	4	£155,000 - £159,999	0	0
			£160,000 - £164,999	1	1
			Total No. of Employees	428	384

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £000	2013/14 £000
£0 - £20,000								
- Council	0	0	32	41	32	41	267	480
- Group companies	2	0	0	0	2	0	6	0
£20,001 - £40,000								
- Council	0	0	29	58	29	58	915	1,662
- Group companies	0	0	0	2	0	2	0	70
£40,001 - £60,000								
- Council	0	0	9	19	9	19	419	955
- Group companies	0	0	0	1	0	1	0	40
£60,001 - £80,000								
- Council	0	0	3	14	3	14	210	1,012
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	2	9	2	9	181	828
- Group companies	0	0	1	0	1	0	86	0
£100,001 - £150,000								
- Council	0	0	6	9	6	9	702	1,035
- Group companies	0	0	0	0	0	0	0	0
	<u>2</u>	<u>0</u>	<u>82</u>	<u>153</u>	<u>84</u>	<u>153</u>	<u>2,786</u>	<u>6,082</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 a final salary pension scheme is operated. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 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 2014/15 were as follows:

	Contribution rate
Whole Time Pay	
On earnings up to and including £20,235 (2014 £19,800)	5.50%
On earnings above £20,235 and up to £24,853 (2014 £19,800 to £24,200)	7.25%
On earnings above £24,853 and up to £34,096 (2014 £24,200 to £33,200)	8.50%
On earnings above £34,096 and up to £45,393 (2014 £33,200 to £44,200)	9.50%
On earnings above £45,393 (2014 £44,200)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
Council's Leader, Civic Head and Senior Councillors					
A. Burns, Leader of the Council	10,582	10,477	Pension	4	1
			Lump Sum	2	0
D. Wilson, Lord Provost	7,937	7,858	Pension	3	0
			Lump Sum	2	0
<u>Conveners</u>					
R. Lewis	6,879	6,810	Pension	2	2
			Lump Sum	0	0
F. Ross	6,879	6,810	Pension	1	1
			Lump Sum	0	0
P. Godzik	6,879	6,810	Pension	3	1
			Lump Sum	2	0
A. Rankin	6,879	6,810	Pension	2	1
			Lump Sum	0	0
R. Henderson	6,879	6,810	Pension	3	1
			Lump Sum	2	1
I. Perry	6,879	6,810	Pension	3	1
			Lump Sum	2	0
G. Barrie	6,879	6,810	Pension	2	2
			Lump Sum	0	0
L. Hinds	6,879	6,810	Pension	4	0
			Lump Sum	6	0
E. Milligan	6,463	6,286	Pension	3	1
			Lump Sum	2	0
M. Child	4,762	4,759	Pension	7	1
			Lump Sum	15	0
M. Bridgman	4,280	4,095	Pension	4	0
			Lump Sum	2	0

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 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
<u>Vice-Conveners</u>					
N. Austin Hart	4,762	4,714	Pension	2	0
			Lump Sum	1	0
G. Munro	4,763	4,610	Pension	2	0
			Lump Sum	1	0
D. Dixon	3,594	0	Pension	1	1
			Lump Sum	0	0
S. Howat	4,933	4,714	Pension	1	1
			Lump Sum	0	0
A. Blacklock	4,762	4,714	Pension	2	0
			Lump Sum	1	0
A. McVey	4,762	3,553	Pension	1	1
			Lump Sum	0	0
<u>Former Vice-Conveners</u>					
J. Orr	n/a	4,577	Pension	n/a	n/a
			Lump Sum	n/a	n/a
W. Henderson	n/a	3,948	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Opposition Group Leaders</u>					
C. Rose	5,291	5,238	Pension	3	1
			Lump Sum	1	0
P. Edie	n/a	3,551	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Councillors</u>					
N. Work (<i>including role as Convener of Lothian Valuation Joint Board</i>)	4,410	4,366	Pension	3	1
			Lump Sum	2	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2015 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		Difference from 31.03.14
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	
S. Bruce, Chief Executive (<i>including returning officer role</i>)	34,450	34,110	Pension	80	4
			Lump Sum	191	2
G. Tee, Director Children and Families	30,567	30,264	Pension	75	3
			Lump Sum	181	2
A. Maclean, Director Corporate Governance	28,704	28,240	Pension	15	3
			Lump Sum	0	0
P. Gabbitas, Director Health and Social Care (<i>Council proportion</i>)	8,859	8,563	Pension	25	2
			Lump Sum	75	5
M. Turley, Director Services for Communities (<i>until 30.06.14</i>)	99,521	28,876	Pension	58	1
			Lump Sum	139	0
J. Bury, Acting Director Services for Communities (<i>from 08.05.14</i>)	25,772	17,283	Pension	58	12
			Lump Sum	139	26
G. Ward, Director Economic Development	21,141	21,036	Pension	27	2
			Lump Sum	51	2
M. Miller, Chief Social Work Officer	21,246	21,036	Pension	37	2
			Lump Sum	80	1
H. Dunn, Head of Finance	22,366	22,144	Pension	44	2
			Lump Sum	101	1
Total	<u>292,626</u>	<u>211,552</u>			

All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas is a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2015, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 142. The contribution rate for P. Gabbitas is 14.7% (2013/14 13.3%).

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2015 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 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
E. Adair, Operations and Finance Director, EDI Group	19,753	19,558	Pension	23	2
			Lump Sum	40	0
H. Rissmann, Chief Executive, EICC (until 31.03.15)	20,813	20,630	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M Dallas, Chief Executive, EICC (from 01.10.14)	3,737	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	38,201	36,311	Pension	24	3
			Lump Sum	19	1
W. Campbell, Operations Director	31,579	30,017	Pension	33	3
			Lump Sum	55	1
W. Devlin, Engineering Director	31,579	30,017	Pension	42	3
			Lump Sum	83	2
N. Strachan, Finance Director	31,579	30,017	Pension	38	3
			Lump Sum	70	2
G.Hughes, HR Director	10,353	10,150	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
T Norris, Director and General Manager (from 01.09.13)	7,400	2,467	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive	16,280	16,027	Pension	29	2
			Lump Sum	65	1
Total	<u>211,274</u>	<u>195,194</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 2014 and 31 December 2013 respectively.

E. Adair and J. Rafferty are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

ANDREW KERR
Chief Executive

ANDREW BURNS
Council Leader

ALASTAIR MACLEAN
Deputy Chief Executive

24 September 2015

24 September 2015

24 September 2015

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of City of Edinburgh Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of City of Edinburgh Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statement, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash Flow Statements, the authority-only Housing Revenue Account, Council Tax Income Account, Non-Domestic Rates Income Account, the Common Good Fund, and the related notes. 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 2014/15 (the 2014/15 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority 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 2014/15 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.

INDEPENDENT AUDITOR'S REPORT

Opinion on other prescribed matters

In my opinion;

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I required to report by exception

I am required to report to you if, in my 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 the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have the following to report in respect of these matters.

Failure to achieve a prescribed financial objective

Whilst it has not been necessary to qualify my opinion in respect of the following matter, I am required to report it to you.

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 authority failed to comply with this statutory requirement for the three year period ending 31 March 2015 in respect of their Edinburgh Catering Services - Other Catering significant trading operation.

David McConnell, MA, CPFA
Assistant Director of Audit
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

September 2015

Appendix 4

Reconciliation of Outturn Position

	£m	£m
Outturn position as shown in the Revenue monitoring 2014/15 outturn report		(0.519)
Changes arising from the audit of the Financial Statements:		
- Increase in accrual for supplier services	0.014	
- Financing adjustments under IAS 39	(0.176)	
	<hr/>	(0.162)
Revised surplus		<hr/> <hr/>

Finance and Resources Committee

10.00am, Thursday, 24 September 2015

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2014/15 Audit

Item number	7.10
Report number	
Executive/routine	
Wards	

Executive summary

The report updates the Committee with the External Auditor's view on matters arising from their audit in compliance with International Standard on Auditing 260.

There are no qualifications to the draft proposed audit certificate shown in the report.

Links

Coalition pledges	P31 , P42
Council outcomes	CO6 , C10
Single Outcome Agreement	SO2 , SO3

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2014/15 Audit

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Note the Annual Report and Accounts for 2014/15 and that these will be submitted to the External Auditor;
 - 1.1.2 Note that any relevant commentary on the Charitable Trusts has been included in the External Auditor's Annual Report on the 2014/15 Audit which is included in Appendix 1; and
 - 1.1.3 Approve the Annual Report and Accounts for 2014/15 by 30 September 2015.

Background

- 2.1 This purpose of this report is to update the Committee with the External Auditor's view on matters arising from their audit in compliance with International Standard on Auditing 260 (ISA 260).
- 2.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.
- 2.3 The External Auditor is required to comply with International Standard on Auditing 260. As part of the standard, the Auditor is required to highlight relationships that bear on independence, unadjusted misstatements and material weaknesses in internal control.
- 2.4 The Council, as the trustee, has overall responsibility for ensuring that:
 - there are appropriate systems of control;
 - proper accounting records are maintained which disclose the financial position of the charities;
 - assets of the charities are safeguarded against unauthorised use or disposition;
 - reasonable steps for the prevention and detection of fraud are taken; and
 - reasonable assurances are provided that the charities are operating efficiently and effectively.

Objectives and Activities

- 2.5 At the year end the Council acted as sole trustee for a total of seven trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

Plans for the Future Period

- 2.6 Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Appeal Trusts.

Main report

- 3.1 The ISA 260 report for the City of Edinburgh Council Charitable Trusts is shown in Appendix 1.
- 3.2 There are no qualifications to the draft proposed audit certificate which is shown at Appendix A of the ISA 260 in Appendix 1.
- 3.3 The Auditor has drawn Members' attention to the following two key points:
- The need for the Finance and Resources Committee to develop a Reserves policy for each Charitable Trust.

As a result of this point being raised, the Finance & Resources Committee will agree an individual policy for each of the Charitable Trusts during 2015/16.

- The need for a revaluation of the Jean F. Watson and Lauriston Castle assets to be incorporated into the 2015/16 Charitable Trust Annual Accounts.

As a result of this point being raised, subject to sufficient resources being available, a detailed external revaluation of Jean F. Watson and Lauriston Castle Trust should be carried out to update their valuations to current prices for incorporation in the 2015/16 Charitable Trust Annual Accounts.

- 3.4 The Audited Financial Statements for 2014/15 are shown in Appendix 2.

Measures of success

- 4.1 The Charitable Trusts receive an unqualified audit certificate from the External Auditor by 30 September 2015.

Financial impact

- 5.1 There is no direct financial impact of the report's contents but the fund balances carried forward as of 31 March 2015 have increased by £197,000 (£141,000 2013/14). This represents the net impact of £64,000 of investment income, a net £12,000 increase from revaluation and transfer of Trusts, an increase in unrealised gain on investments of £140,000 offset by £19,000 expended on charitable activities and governance costs.

Risk, policy, compliance and governance impact

- 6.1 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

Consultation and engagement

- 9.1 The financial statements 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 no requests for further information under these Regulations.

Background reading/external references

None.

Alastair D Maclean

Deputy Chief Executive

Contact: Catrina Montgomery, Senior Accountant

E-mail: catrina.montgomery@edinburgh.gov.uk | Tel: 0131 469 3497

Links

Coalition pledges	P31 – Maintain our city's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure. P42 – Continue to support and invest in our sporting infrastructure.
Council outcomes	CO6 – Our children's and young people's outcomes are not undermined by poverty and inequality. C10 – Improved health and reduced inequalities.

Single Outcome Agreement	SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential
Appendices	Appendix 1 – Report to those charged with governance on 2014/15 Audit Appendix 2 – Audited 2014/15 Financial Statements

City of Edinburgh Council - Registered Charitable Trusts

Report to those charged
with governance on the
2014/15 audit



Prepared for the members of City of Edinburgh Council
September 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. An audit is required for the 2014/15 financial statements of all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) regulations 2006.
2. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
3. The trustees of each charity will be provided a copy of the ISA 260 report on 24 September 2015 for their consideration and will be given the opportunity to discuss the points raised within the ISA 260 report directly with External Audit.
4. This report sets out for the trustees' consideration the matters arising from the audit of the financial statements for 2014/15 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of City of Edinburgh Council, as the sole trustee of the registered charitable trusts listed at Appendix B, and no responsibility to any third party is accepted.

Status of the Audit

5. Our work on the financial statements is now substantially complete. The issues arising from the audit were discussed with officers at regular intervals during the course of the audit. The more significant issues arising were discussed with the council officer responsible for the charitable trusts at a meeting on 10 September 2015.
6. We received the unaudited financial statements by 30 June 2015, in accordance with the agreed timetable. The financial statements and supporting working papers were of a good standard. Finance staff provided good support to the audit team and we completed our fieldwork by the end of August 2015.

Matters to be reported to those charged with governance

Conduct and scope of the audit

7. We are required to audit the collated financial statements of the 7 registered trusts, where the sole trustee is City of Edinburgh Council. These trusts are set out in Appendix B.

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of the City of Edinburgh Council presented to the Governance, Risk and Best Value Committee on 23 April 2015, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity this fee remains unchanged.

Fraud

10. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the trustees we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

Audit opinion & representations

11. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditors report on 24 September 2015 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
12. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £30. There were none identified as part of our audit work.
13. One monetary adjustment was identified during the course of our audit. The annual accounts presented for audit disclosed an investment balance of £1,933,000 at 31 March 2015. This balance had been understated £7,000. An adjustment has been made in the accounts presented for signing, along with a corresponding increase in the gains on investment recognised in the statement of financial activities. The effect of this adjustment is to increase the net assets at of the trusts at 31 March 2015 by £7,000.
14. The council has continued to recharge administration costs to the trusts in 2014/15. However the audit fee of £4,250 has not been recharged, and this has been disclosed in note 13 to the accounts.
15. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix C. This should be signed and returned by the Head of Finance with the signed financial statements prior to the independent auditor's opinions being certified.

Accounting and internal control systems

16. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Significant findings from the audit

17. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
18. **Heritage assets future revaluation programme:** In our 2013/14 report to those charged with governance, we noted that the valuation of certain heritage assets had not been reassessed for a number of years. The 2013/14 valuation of the Jean F Watson artwork collection was based on market values established in 2003/04, and the Lauriston Castle Trust collection was based on insurance valuations from 1997.
19. During 2014/15 the Jean F Watson artwork collection was reviewed internally, and assets in excess of £4,000 were revalued, resulting in an upwards revaluation of £1.304 million in the 2014/15 accounts. A detailed external revaluation of the more significant pieces in the collection is planned for 2015/16, along with a revaluation exercise on the Lauriston Castle Trust assets.

Resolution: The revaluation of the Lauriston Castle Trust assets will be incorporated into the 2015/16 charitable trust annual accounts, along with any movements resulting from the external revaluation of the Jean F Watson collection.

20. **Reserves policy:** The Charities Statement of Recommended Practice (SORP) set out the disclosure requirements of a trustee annual report. The trustee annual report should contain a financial review which explains the charity's policy on reserves, including the level held and why they are held. The financial review in the 2014/15 charitable trusts' annual report and accounts does not mention the reserves policy for the trusts, although there is a reference within the notes to the accounts. These notes explain the endowment fund is maintained as a capital fund and goes on to note that the Finance and Resources Committee will agree a policy on reserves for each of the trusts. However, these individual policies have yet to be agreed.

Resolution: The financial review in the 2014/15 annual report and accounts will be amended to include reference to the reserves policy. Going forward, the individual policy for each trust should be agreed by the Finance and Resources Committee, and disclosed in future annual report and accounts.

Acknowledgements

21. We would like to express our thanks to the officers of City of Edinburgh Council for their help and assistance during the audit of this year's annual accounts which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of City of Edinburgh Council Charitable Trusts and the Accounts Commission for Scotland

I certify that I have audited the financial statements of City of Edinburgh Council Charitable Trusts for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

As explained more fully in the statement "Responsibilities of the Trustee", the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially

inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charities' affairs as at 31 March 2015 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

David McConnell, MA, CPFA
Assistant Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

September 2015

David McConnell is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix B: Registered Trusts where City of Edinburgh Council is the sole trustee

- Edinburgh Education Trust (Registered Charity SC042754)
- G Boyd Anderson -Skiing (Registered Charity SC025067)
- Jean F. Watson Bequest (Registered Charity SC018971)
- Lauriston Castle Trust (Registered Charity SC020737)
- Nelson Halls Trust (Registered Charity SC018946)
- Royal Scots (The Royal Regiment) Monument Trust (Registered Charity SC018945)
- Usher Hall Conservation Trust (Registered Charity SC030180)

Appendix C: ISA 580 - Letter of Representation

September 2015

David McConnell
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
Nelson Mandela Place
Glasgow
G2 1BT

Dear David

- **Edinburgh Education Trust (Registered Charity SC042754)**
- **G Boyd Anderson - Skiing (Registered Charity SC025067)**
- **Jean F Watson Bequest (Registered Charity SC018971)**
- **Lauriston Castle Trust (Registered Charity SC020737)**
- **Nelson Halls Trust (Registered Charity SC018946)**
- **Royal Scots (The Royal Regiment) Monument Trust (Registered Charity SC018945)**
- **Usher Hall Conservation Trust (Registered Charity SC030180)**

Annual Accounts 2014/15

1. This representation letter is provided in connection with your audit of the collated financial statements of the registered charitable trusts listed above where City of Edinburgh Council is the sole trustee for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of each of these registered charitable trusts as at 31 March 2015 and its income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where City of Edinburgh Council is the sole trustee, the following representations given to you in connection with your audit for the year ended 31 March 2015.

General

3. I acknowledge my responsibility and that of City of Edinburgh Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered trusts listed above have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustees Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of each registered charitable trust for the year ended 31 March 2015.

Accounting Policies & Estimates

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

9. The Trustees have assessed the ability of the registered charitable trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

10. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24.

Events Subsequent to the Balance Sheet Date

11. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

12. Since the date of the balance sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

13. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

Fraud

14. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

15. The cash fund and investments shown in the statement of balances at 31 March 2015 were owned by the registered charitable trusts. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
16. The carrying value and classification of assets in the financial statements is based on the best information available to the council at the balance sheet date. A revaluation exercise is currently underway to obtain up-to-date market valuations for certain heritage assets, and this will be reflected in the 2015/16 financial statements.
17. Whilst every effort has been made to identify heritage assets belonging to charities and trusts, it has not been possible to split out all of these assets from those held by City of Edinburgh Council. Therefore some heritage assets which properly belong to the charities and trusts may be included within City of Edinburgh Council's financial statements.

Yours sincerely

Hugh Dunn
Head of Finance

**The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2015**

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the Finance and Resources Committee and now has delegated responsibility from Council to act in the role of trustee of its charities.

In addition to the above a separate Committee exists to manage the Jean F Watson Bequest Art Collection. The Committee on the Jean F Watson Bequest has the following delegated authority: "With monies from the Jean F Watson Bequest, to purchase and commission for the City's collection, works of artists and craftspeople born, practising in, or otherwise associated with Scotland, and in particular Edinburgh; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries."

Registered Office

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Auditor

David McConnell, MA, CPFA
Assistant Director of Audit
Audit Scotland
The Athenaeum Building
4th Floor, South Suite
8 Nelson Mandela Place
Glasgow
G2 1BT

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Investment Managers

Allianz Global Investors Europe Gmbh
UK Branch
PO Box 9031
Chelmsford
CM99 2WN

M&G Charities
PO Box 9038
Chelmsford
CM99 2XF

Trustee's Annual Report

The trustee presents their annual report and financial statements of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2015. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), commonly referred to as the SORP.

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of seven trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of all the charities can be found on page 3 of this report and in the accounts.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet.

Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committees of the Council which are involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity trustees. Risk management is covered as part of the Council's general risk management procedures.

Responsibilities of the Trustee

Charity law requires charity trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls, financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.
3. Safeguarding the assets of the charities.
4. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
5. Providing reasonable assurance that:
 - the charities are operating efficiently and effectively;
 - the charitable assets are safeguarded against unauthorised use or disposition;
 - proper records are maintained and financial information used by the charities is reliable;
 - the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity trustee;
2. Regular consideration by the charity trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties;
4. Identification and management of risks.

Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2015 are as follows:

Name	Scottish Charity Registration Number	Purposes	Market Value at 31/3/15 £'000
Jean F. Watson	SC018971	The purchase of works of art by artists who have connections with the city	6,198
Edinburgh Education Trust	SC042754	To fund activities to support Looked after Children and school prizes	886
Nelson Halls	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	224
G Boyd Anderson	SC025067	Provision of outdoor education and skiing opportunities	120
Usher Hall Conservation Trust	SC030180	Raise funds for the renovation of the Usher Hall	70
Lauriston Castle Trust	SC020737	To make the artefacts and buildings available to be viewed by the public	7,041
Royal Scots Monument Trust	SC018945	Maintenance of the Royal Scots Monument	33
Total			14,572

Achievements and Performance

Progress on the implementation of the new investment arrangements and the trust reorganisation project is described in the sections that follow.

There has been a revaluation of 177 items belonging to the Jean F. Watson collection, increasing the total valuation of the collection by £1,304,000. The new IT inventory system Ke Emu is now live and it will contain a record of items, where they are located and their valuations.

The Edinburgh Education Trust provided £2,108 to contribute to a range of activities for looked after children and school prizes.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2015. This section describes briefly the key points of each statement. Please be aware that the financial statements and notes have been rounded to the nearest thousand.

The Statement of Financial Activities - Shows that the total income from generated funds to be £64,102 (2013/14 £72,007). This decrease in income compared to the previous year is largely due to the transfer of the Surplus Fire Fund to Edinburgh Voluntary Organisation Trust (EVOT) during the financial year.

The direct expenditure on charitable activities is lower than last year, after discounting the impact of the 2013/14 accrual reversal in the Boyd Anderson Trust. This once again is primarily as a result of the transfer of the Surplus Fire Fund to EVOT; as last year £29,648 was spent by the Surplus Fire Fund compared to nothing this year. In addition, grants were paid from the Edinburgh Education Trust; these were primarily to fund activities for Looked after Children.

The total resources expended is £19,000 (2013/14 £-728). This total is detailed in Note 3, with the values against Nelson Hall, Lauriston Castle and Royal Scot Monument being allocated to the maintenance of the assets. The negative amount last year is the product of both expenditure and the reversal of accruals made in respect of awards by the Boyd Anderson Trust which were not paid out due to two beneficiaries not being able to meet the conditions required to receive the funding.

The Balance Sheet - fixed asset investments have decreased from £3,007,899 to £1,940,682. Whilst this appears to be a significant decrease, £1,076,313 relates to the transfer of the Surplus Fire Fund. Movements on the valuation of the investments are further analysed in note 14 and note 15.

Fixed asset properties and collections have been included in the accounts at revalued amounts. The Jean F. Watson Art Collection (items over £4,000) has been revalued, increasing the value of the collection by £1,304,000 to £5,231,960.

The plan for the rationalisation of the Councils 118 trusts was approved by the Pensions and Trusts Committee on 8 December 2008. The rationalisation process required separate bank accounts to be established for the trusts, which has now been completed.

The reserves policy for the Charitable Trusts is outlined in Note 1, with the Finance & Resources Committee to agree an individual policy for each of the Charitable Trusts during 2015/16.

Investment Policy and Performance

The current asset allocation is 22% in Charibond Charities Fixed Interest, 37% in Chariguard UK Equities Income and 41% in Chariguard Overseas Fund Income; against an original target allocation of 25% bonds, 37.5% UK equities and 37.5% Global Equities.

The objective for each fund is to match the performance of their respective benchmark indices. The Chariguard UK Equity Fund is benchmarked against the FTSE All-Share Index, the Chariguard Overseas Fund is benchmarked against the FTSE World Index ex UK (adjusted) and the Charibond Fixed Interest Fund is benchmarked against the FTSE British Government All-Stocks Index.

With regard to the performance to the year ended 31 December 2014, the Chariguard UK Equities Fund was just above the benchmark. The fund returned 1.18% compared to the benchmark of 1.1%. The performance of the Chariguard Overseas Equities Fund exceeded its benchmark, as it returned 9.97% compared to the benchmark of 9.7%.

In 2013/14, RCM were taken over by Allianz and the RCM Fixed Interest Fund was liquidated. To replace these fixed interest investments the funds were transferred to M&G during 2013/14. Performance information for 12 months to 3 November 2014 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 4.9% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 6.4% over the same period. While the value of Charibond's income shares fell slightly in the review period, its distribution yield on 3 November 2014 was maintained at 5.2% with this expected to be maintained for the next 12 months.

Reorganisation of Charitable Trusts

The Council is committed to making the management and administration of its charities and other trusts more effective, so that the benefit to the public can be maximised and risks minimised. On 8 December 2008, the Pensions and Trusts Committee approved a strategy to radically restructure its charities and other trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital.

A decision was made to transfer the Surplus Fire Fund to the Edinburgh Voluntary Organisations Trust (EVOT) by the Pension and Trusts Committee on 6 December 2011. The transfer was agreed subject to a safeguard in the deed of appointment which ensures that the Surplus Fire Fund operates as a restricted fund within EVOT and that the Fire Brigades Union will have the right to send up to two representatives to meetings where Surplus Fire Fund business is considered. The transfer required new legislation to be passed which successfully progressed through the Scottish Parliament in April 2014. As a result, the transfer was successfully completed in 2014/15.

Pensions and Trusts Committee approved the creation of a new educational charity to receive the assets of 53 small trusts. Work on consolidating these trusts into a new 'Edinburgh Education Trust' charity was completed in 2014. With the creation of the Edinburgh Education Trust there has been a focus on looked-after children and the existing school pupil prizes.

Further rationalisation of the administration of the charitable trusts has been progressed and the Jean F. Watson Committee now deals with the future spending plans of the Catherine Cowper Trusts.

It had previously been agreed by Committee to wind up the Boyd Anderson Trust and plans were agreed for the final disbursements of the capital of the Boyd Anderson Trust for appropriate snow sports developments that directly relate to the legacy of George Boyd Anderson. These payments have been unable to complete because two potential beneficiaries were not able to meet the conditions required to receive the funding. Once the expenditure is completed, which should be in 2015/16, an application will be made to OSCR to remove the charity from the Register.

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Trusts. The Catherine Cowper Trust is not included in the accounts as it is not a registered charity.

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin

Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2015

	Note	Unrestricted funds	Endowment funds	Total funds 2014/15	Total funds 2013/14
		£'000	£'000	£'000	£'000
Incoming resources					
<i>Incoming resources from Generated Funds</i>					
Investment income	2	64	-	64	72
Total incoming resources		<u>64</u>	<u>-</u>	<u>64</u>	<u>72</u>
Resources expended					
<i>Charitable Expenditure</i>					
Charitable activities	3	10	-	10	(15)
Governance costs	4	9	-	9	14
Trusts transferred to external charities	14	84	1,208	1,292	-
Total resources expended		<u>103</u>	<u>1,208</u>	<u>1,311</u>	<u>(1)</u>
Net (outgoing) / incoming resources before other recognised gains and losses:					
		<u>(39)</u>	<u>(1,208)</u>	<u>(1,247)</u>	<u>73</u>
Gains on revaluation of fixed assets for charity's own use	5	1,304		1,304	
Realised and unrealised gains on investments	14	-	140	140	68
Net movement in funds		<u>1,265</u>	<u>(1,068)</u>	<u>197</u>	<u>141</u>
Reconciliation of funds					
Capital as 1 April 2014		1,266	2,802	4,068	3,928
Revaluation Reserve		3,073	7,001	10,074	10,074
Market Value Adjustment		8	225	233	233
Fund balances brought forward		<u>4,347</u>	<u>10,028</u>	<u>14,375</u>	<u>14,234</u>
Fund balances carried forward	15	<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>14,375</u>

Prior year adjustments are explained in *Note 11*.

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2015

	Note	Unrestricted funds	Endowment funds	Total funds 2014/15	Total funds 2013/14
		£'000	£'000	£'000	£'000
Fixed Assets:					
Jean F. Watson Collection	5	5,232	-	5,232	3,928
Heritage Assets	6	-	7,020	7,020	7,020
Investments	7	-	1,940	1,940	3,008
		<u>5,232</u>	<u>8,960</u>	<u>14,192</u>	<u>13,956</u>
Current Assets:					
Cash at Bank	8	413	-	413	479
		<u>413</u>	<u>-</u>	<u>413</u>	<u>479</u>
Liabilities:					
Creditors due within one year	9, 10	33	-	33	60
		<u>33</u>	<u>-</u>	<u>33</u>	<u>60</u>
Net Current Assets		<u>380</u>	<u>-</u>	<u>380</u>	<u>419</u>
Net Assets		<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>14,375</u>
Financed by:					
Unrestricted Funds	15	1,235	-	1,235	1,274
Endowment Funds	15	-	1,959	1,959	3,027
Revaluation Reserve	14	4,377	7,001	11,378	10,074
		<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>14,375</u>

The unaudited accounts were issued on 30 June 2015. The audited accounts were authorised for issue on 24 September 2015. I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 24 September 2015.

Signed on behalf of the charity trustee:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2015

	31 March 2015 £'000	31 March 2015 £'000
Operating Activities		
Interest received (<i>Note 2</i>)	(64)	
Cash inflows generated from operating activities	<hr/>	(64)
Cash paid to School Pupils (<i>Note 3</i>)	2	
Cash paid to cover Legal Fees (<i>Note 3</i>)	1	
Cash outflows generated from operating activities	<hr/>	3
Net cash flows from operating activities		<hr/> (61)
Investing Activities		
Transfer of Surplus Fire Fund to Edinburgh Voluntary Organisations Trust	127	
Net cash flows from investing activities	<hr/>	127
Net cash flows from financing activities		<hr/> 0
Net (increase)/decrease in cash and cash equivalents		<hr/> 66
	April 2014	
Cash and cash equivalents (<i>Note 8</i>)	479	
	<hr/>	479
	March 2015	
Cash and cash equivalents (<i>Note 8</i>)	413	
	<hr/>	413
Net (increase)/decrease in cash and cash equivalents		<hr/> 66

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2015

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value, in accordance with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) commonly referred to as the SORP.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust Funds for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis.

b) Fund accounting

Unrestricted funds are general funds that are available for use at the trustee's discretion in the furtherance of any of the objectives of the charities.

Almost all of the charities have an endowment fund consisting of invested capital and any heritable property. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the trustee has discretion to expend endowment funds should the need arise.

c) Investment income

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

d) Resources expended

Expenditure is included in the financial statements on an accruals basis.

e) Heritable property and depreciation

Heritable properties are stated in the accounts at a revalued amount where this is available. Where this is not available historic cost has been used, this is the case for the Nelson Halls. Depreciation is not currently provided on heritable property.

f) Heritage assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets include collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

g) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the SORP. Any gain or loss on revaluation is shown on the Statement of Financial Activities.

h) Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. With a manageable number of trusts remaining, the Finance & Resources Committee will agree a policy on reserves for each of the trusts, set with reference to any specific requirements in the trust deed and the aims of the charity.

2 Investment income

	2014/15	2013/14
	£'000	£'000
Dividend income	63	69
Interest received	1	2
	<u>64</u>	<u>71</u>

3 Cost of charitable activities

	2014/15	2013/14
	£'000	£'000
Direct Expenditure:		
Boyd Anderson - snow sport projects and property repair	0	(57)
Surplus Fire Fund Legal Fees	1	30
Lauriston Castle	1	1
Royal Scots Monument	0	0
Nelson Halls	6	4
Education Grants	2	7
	<u>10</u>	<u>(15)</u>
Allocation of governance costs	9	14
Total cost of charitable activities	<u>19</u>	<u>(1)</u>

4 Governance costs

	2014/15	2013/14
	£'000	£'000
Allocated costs	9	14

No trustee received any remuneration or expenses during year ending 31 March 2015.
There are no employees of the City of Edinburgh Council Charitable Trusts.

5 Jean F. Watson collection

	2014/15	2013/14
	£'000	£'000
Balance brought forward at 1 April	3,928	3,928
Revaluation during the year	1,304	-
Balance carried forward at 31 March	<u>5,232</u>	<u>3,928</u>

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art. For the 2014/15 accounts, items valued over £4,000 have been revalued internally and this figure has been used in the accounts. A detailed external valuation of the highest value works is proposed for 2015/16. A full inventory of the Jean F Watson collection is nearing completion and these items will be recorded in the new IT system, Ke Emu.

6 Heritage Assets

	2014/15	2013/14
	£'000	£'000
Nelson Halls Trust	19	19
Lauriston Castle	7,001	7,001
	<u>7,020</u>	<u>7,020</u>

The Nelson Halls properties have not been valued for the purposes of these accounts and are stated at cost. These buildings are now often incorporated into the fabric of existing buildings and are therefore difficult to revalue.

The Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection.

7 Investments	At 31/3/14	Purchases	Transferred/	Net gain	At 31/3/15
		at cost	Sold	on	
	£'000	£'000	£'000	revaluation	£'000
Investments	3,008	-	(1,077)	9	1,940
	<u>3,008</u>	<u>-</u>	<u>(1,077)</u>	<u>9</u>	<u>1,940</u>

The (£1,077) relates to the transfer of the Surplus Fire Fund investments to EVOT.

8 Cash at bank

	2014/15	2013/14
	£'000	£'000
Boyd Anderson	127	127
Edinburgh Education Trust	130	111
Surplus Fire Fund	0	119
Usher Hall	72	71
Jean F. Watson	65	39
Nelson Halls	13	8
Royal Scots Monument	4	3
Lauriston Castle	2	1
	<u>413</u>	<u>479</u>

9 Creditors due within one year	Unrestricted funds £'000	Endowment funds £'000	2014/15 Total £'000	2013/14 Total £'000
Legal fees for 2013/14 paid by Surplus Fire	-	-	-	6
Amounts due to the Council	33	-	33	54
	<u>33</u>	<u>-</u>	<u>33</u>	<u>60</u>

10 Related party transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £33,287 was owed to the Council by the Trusts (2013-14 £53,765).

11 Prior Period Adjustment

The market value of Jean F. Watson was understated and Nelson Halls was overstated by £12,895 in 2013/14, however, this did not affect the overall Market Value of the Trusts as at 31 March 2014.

Similarly, the market value of the Surplus Fire Fund was understated and Boyd Anderson was overstated by £6,178 in 2013/14, however, this did not affect the overall Market Value of the Trusts as at 31 March 2014.

12 Post Balance Sheet Event

Events after the balance sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

13 Audit fee

The fee payable to Audit Scotland in respect of the audit services for the Council's Charitable Trusts is £4,250 for 2014/15. This fee was included in the overall fee for the Council and not allocated directly to the individual Trusts.

14 Trusts at Market Value - Year Ended 31 March 2015

Charity Name	SC Number	(Re-stated) Funds b/fwd £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Jean F. Watson Revaluation £'000	Transfer to EVOT £'000	Funds carried forward £'000	(Re-stated) 2013/14 £'000
Edinburgh Education Trust	SC042754	815	21	(5)	55	0	0	886	815
G Boyd Anderson	SC025067	123	0	(3)	0	0	0	120	123
Jean F. Watson	SC018971	4,805	25	(1)	65	1,304	0	6,198	4,805
Lauriston Castle Trust	SC020737	7,038	1	(1)	3	0	0	7,041	7,038
Nelson Halls Trust	SC018946	209	6	(6)	15	0	0	224	209
Royal Scots Monument Trust	SC018945	30	1	-	2	0	0	33	30
Surplus Fire Fund	SC018967	1,283	10	(1)	0	0	(1,292)	0	1,283
Usher Hall Conservation Trust	SC030180	72	0	(2)	0	0	0	70	72
		14,375	64	(19)	140	1,304	(1,292)	14,572	14,375

15 Trusts at Market Value - Year Ended 31 March 2015

Charity Name	SC Number	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Investments	Investments Market Value Adjustment	Cash at Bank	Amounts due to Council	Total	(Re-stated) 2013/14
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Edinburgh Education Trust	SC042754	0	0	657	106	130	(7)	886	815
G Boyd Anderson	SC025067	0	0	0	0	127	(7)	120	123
Jean F. Watson	SC018971	5,232	0	747	156	65	(2)	6,198	4,805
Lauriston Castle Trust	SC020737	0	7,001	34	7	2	(3)	7,041	7,038
Nelson Halls Trust	SC018946	0	19	168	35	13	(11)	224	209
Royal Scots Monument Trust	SC018945	0	0	25	5	4	(1)	33	30
Surplus Fire Fund	SC018967	0	0	0	0	0	0	0	1,283
Usher Hall Conservation Trust	SC030180	0	0	0	0	72	(2)	70	72
		5,232	7,020	1,631	309	413	(33)	14,572	14,375

Independent auditor's report to the trustees of City of Edinburgh Council Charitable Trusts and the Accounts Commission for Scotland

I certify that I have audited the financial statements of City of Edinburgh Council Charitable Trusts for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

As explained more fully in the statement "Responsibilities of the Trustee", the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charities' affairs as at 31 March 2015 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

David McConnell, MA, CPFA
Assistant Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

September 2015

David McConnell is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Finance and Resources Committee

10.00am, Thursday 24 September 2015

Provision of External Offsite Revenues and Benefits Processing - Award of Contract

Item number	7.11
Report number	
Executive/routine	Executive
Wards	All

Executive summary

This report seeks the approval of the Committee to award a Framework Agreement for the provision of external offsite revenues and benefits processing support following a competitive procurement process to identify the three most economically advantageous bidders.

Links

Coalition pledges	
Council outcomes	CO25, CO26
Single Outcome Agreement	

Provision of External Offsite Benefits Processing – Award of Contract

Recommendations

- 1.1 Approve the award of a Framework Agreement for the provision of an external offsite revenues and benefits processing service to Civica Ltd, Capita Group Plc and Liberata UK Ltd under a ranked Framework Agreement for a period of two years with the option to extend annually for a further two years. The contract will be utilised on an ad-hoc basis with an estimated value of up to £265,000 per annum.

Background

- 2.1 The UK Government's Welfare Reform agenda is the biggest change to the welfare system in over 60 years and has had a significant and unpredictable impact on Local Authorities and the services they provide. The Council has, and will continue to, face increased demand for the processing of Housing Benefit, Council Tax Reduction, Discretionary Housing Payments and Universal Credit in the coming years. In addition, the Council continues to face increasing demand for Council Tax and other revenues related services.
- 2.2 This increase in demand has resulted in a requirement for external offsite benefits processing to ensure that the Council meets its commitment to provide a high quality, customer focussed Revenues and Benefits service.
- 2.3 The requirement for additional support fluctuates and therefore seeking more full time staff resources for the Council is not cost effective. In order to ensure satisfactory processing times and maintain a high level of customer satisfaction, the Council wishes to contract with external organisations to provide this service on an ad-hoc basis.
- 2.4 This service is currently provided by the Capita Group Plc following an approved waiver report which expired on 30 August 2015.

Main report

- 3.1 The City of Edinburgh Council wishes to appoint three suitably qualified and experienced service providers for the provision of external offsite benefits processing services.

- 3.2 Commercial and Procurement Services (CPS) conducted the tender and evaluation process in accordance with EU Procurement Regulations and Council Standing Orders.
- 3.3 CPS, in conjunction with Revenues and Benefits, undertook a fully compliant tender exercise by placing a contract notice on the Public Contracts Scotland Portal and The Journal of the European Union as an open procedure on 20 April 2015. Five organisations submitted compliant bids by the closing date of 12 June 2015.
- 3.4 In the invitation to tender it was stated that the contract would be awarded on the basis of the Most Economically Advantageous Tender with 60% of the overall score being given to quality and 40% given to price. This ratio was determined due to the high level of accuracy and high quality processes and procedures required.
- 3.5 The five tender submissions received were evaluated individually by the evaluation team to determine a score for quality. In accordance with the agreed ratio the weighted maximum score for quality was 60. Five evaluation criteria areas were identified, each having different weightings and being scored between 0 and 10 in accordance with the Evaluation Criteria Scoring Definitions included in the tender instructions issued to the bidders. Further details of the procurement process, including the members of the evaluation team and the five quality evaluation criteria and their respective weightings, are provided in Appendix 1.
- 3.6 On completion of the individual evaluation process a consensus meeting was held attended by the members of the evaluation team and the procurement lead from Commercial and Procurement Services. Individual evaluation criteria scores were reviewed and debated and a consensus score reached for each bidder. The appropriate weighting was then applied to each of the individual evaluation criteria to arrive at a final quality score.
- 3.7 A threshold of 60% of the total available marks for quality was set to ensure that any bidder failing to provide a satisfactory response to the published evaluation criteria requested within the tender documentation would not be considered further and would not have their pricing bid opened.
- 3.8 Following completion of the quality analysis, one bidder failed to achieve the pre-set quality threshold. The remaining four fee bids were opened and subject to a cost analysis.
- 3.9 The lowest priced tender was received which was awarded the maximum score of 40 for price. All other bids were then scored on a pro-rata basis against this lowest bid i.e. for each of the other bids the lowest bid price was divided by that bid price and multiplied by the maximum score of 40.
- 3.10 The quality scores were then combined with the scores from the cost analysis to derive an overall score for each bidder out of a maximum of 100.

3.11 The estimated value of the Framework Agreement is £265,000 per annum. Bidders were invited to provide a rate for a range of benefit and council tax claims. The rates were then multiplied against a notional quantity of claims to create a fee bid. The successful bidders fee bids ranged from £243,801 - £334,122.

3.12 The results are detailed in the table below.

Bidder	Quality Score	Price Score	Total Score
Civica	56.40	40.0	96.40
The Capita Group Plc	54.30	33.6	87.92
Liberata UK Ltd	49.80	35.5	85.25
Bidder 4	54.60	29.6	84.15
Bidder 5	42.90	29.2	72.09
Bidder 6	20.70	0.0	20.70

3.13 As set out in 3.4, the Most Economically Advantageous Tender is determined based on 60% of the overall score being given to quality and 40% given to price.

3.14 As the three highest scoring bidders, it is therefore recommended that the Framework Agreement be awarded to Civica Ltd, Capita Group Plc and Liberata UK Ltd.

3.15 The Framework Agreement Call Off Methodology outlines that all service requirement will be offered to the first ranked provider of the evaluation in the first instance. If Civica Ltd cannot fulfil the service requirement, this will then be offered to the 2nd ranked (The Capita Group Plc) followed by the 3rd ranked (Liberata). Should there be a requirement for a larger one off demand, the Council reserves the right to mini competition to facilitate increase competition between providers.

3.16 Following the decision regarding a preferred contractor there is a mandatory 10 day standstill period which must, and will, be followed before the contract would be awarded.

Measures of success

4.1 The Framework Agreement has a detailed set of Key Performance Indicators with Service Level Credits should performance fall below expected levels.

4.2 Ability for the Council's Revenues and Benefits services to meet increased demand for the processing of Housing Benefit, Council Tax Reduction, Discretionary Housing Payments, Council Tax and Non-Domestic Rates.

Financial impact

- 5.1 The cost for any services commissioned utilising this Framework Agreement will be accommodated within the Customer Services budget.
- 5.2 The procurement of this service has demonstrated a financial saving of approximately 20% based on the new rates secured under this Framework compared with the previous contract. This equates to approximately £50,000 per annum.
- 5.2 The costs associated with procuring this contract are estimated at under £10,000.

Risk, policy, compliance and governance impact

- 6.1 There are no negative risk, policy, compliance and governance impacts arising from this report.

Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report.

Sustainability impact

- 8.1 There are no sustainability impacts arising from this report.

Consultation and engagement

- 9.1 Not applicable

Background reading/external references

- 10.1 Not applicable

Alastair Maclean

Deputy Chief Executive

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Links

Coalition pledges

Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives CO26 – The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives
Single Outcome Agreement	
Appendices	Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Provision of External Benefits Processing
Contract period	2 years with the option to extend annually for a further two years
Contract value	£1,060,000 over the four years
Standing Orders observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	www.publiccontractsscotland.co.uk
EU Procedure chosen	Open
Tenders returned	Six
Tenders fully compliant	Five
Recommended supplier/s	Civica Ltd, The Capita Group Plc and Liberata
Primary criterion	Most economically advantageous tender to have met the qualitative and technical specification of the client department
Evaluation criteria and weightings	Written responses were provided for the following award criteria areas: <ol style="list-style-type: none"> 1. Capacity & Available Resources – 30% 2. Experience – 25% 3. Quality Assurance – 20% 4. Contract Delivery – 20% 5. Training & Knowledge – 5%
Evaluation Team	Benefits Manager – Corporate Governance Income Manager – Corporate Governance

Finance and Resources Committee

10.00am, Thursday 24 September 2015

Contracts Awarded Under Delegated Authority (Waiver Reports) and Procurement Activity

Item number	7.12
Report number	
Executive/routine	
Wards	All

Executive summary

The City of Edinburgh Council has awarded a total of £54.8m of contracts to a variety of supplier organisations from 1 March 2015 to 30 June 2015, with the annual value of live contracts operating during this period totalling £453.3m. During the same period contracts worth £12.06m have been let following a Waiver of the Council's Contract Standing Orders (CSOs), as permitted by Section 9 of the CSOs. £2.1m of contracts were granted under delegated authority and £9.96m by committee approval.

Additionally, contracts below the threshold requiring Committee approval to the value of £6.47m have been awarded in the period from 1 March 2015 to 30 June 2015.

The report updates the Committee with a summary of the contracts awarded. It is recommended that the Committee notes the contents of this report.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	

Contracts Awarded Under Delegated Authority (Waiver Reports) and Procurement Activity

Recommendations

- 1.1 It is recommended that the Committee notes the contents of this report and the authorisations made under delegated authority.

Background

- 2.1 The Contract Standing Orders (CSOs) are the Council's legal and operational rules for how we buy goods and services (ranging from purchases of small value to millions of pounds).
- 2.2 The City of Edinburgh Council has awarded a total of £54.8m of contracts to a variety of supplier organisations in the period from 1 March 2015 to 30 June 2015.
- 2.3 During the specified period a number of contracts have been awarded under the delegated authority permitted by waiving the CSOs, as permitted in Section 9 of the CSOs. The report for this period includes an overview of the contracts awarded by committee approval of a Waiver of the CSOs during the period, to give a comprehensive overview of all waiver activity. This will be included in future reports.
- 2.4 The current report includes information on a four month period, March to June, which means future quarterly reports will now be aligned with the financial reporting periods.

Main report

- 3.1 The CSOs may be waived in certain specified circumstances as set out below.

Waiver of Standing Order Process

- 3.2 The CSOs can be waived by the relevant officer providing a written waiver report which outlines the justification of the waiver under the following delegated authority limits (Table 1). Copies of all waivers are held by the relevant Service and also with Commercial and Procurement.

3.3 The CSOs are reviewed annually and updated as necessary. They will be altered as appropriate to incorporate changes to job titles in the intervening period, including that of the Chief Operating Officer and Deputy Chief Executive, and to address the changes introduced as a result of the Procurement Reform (Scotland) Act 2014. The 2014 Act will introduce a new tendering regime over the value of £50,000.

Table 1 Current Waiver Delegated Authority Limits

Contract Value	Delegated Authority
Less than £25,000	Relevant Head of Service and Commercial and Procurement Manager
More than £25,000 and less than £250,000	Relevant Director and Chief Operating Officer & Deputy Chief Executive (formerly Director of Corporate Governance)
More than £250,000	Relevant Director, Chief Operating Officer & Deputy Chief Executive (formerly Director of Corporate Governance) and relevant Committee Convener. In respect of contracts required in extreme urgency or in the best interests of the Council.

3.4 The waivers of CSOs to allow a contract to be awarded or extended without competitive tendering will always be required in certain circumstances e.g. continuity of care or a sole provider due to intellectual property rights. Each waiver is looked at on its own merits and is only approved if justifiable. However, these circumstances need to be tightly controlled. As such, justification for the waiver of CSOs is permitted but only in the two instances categorised as follows:

- **Legislative exemptions (including technical or artistic reasons, extreme** urgency, social care contracts (where there is no cross border interest) and genuinely exceptional circumstances, where the departure from CSOs is wholly justified in accordance with EU law and principles i.e. where the value of the contract does not exceed the current EU thresholds (£173,000 for services and £4.3M for works) and there is no interest from providers from member states outwith the UK.
- **In the Council’s best interests** where, on a risk-assessed basis, the departure from standing orders can be justified (e.g. to extend an existing arrangement to allow it to be combined as part of a larger procurement exercise).

Appendix 1 includes a breakdown by value in the relevant categorisation. Please note that while some may be categorised as ‘in the Council’s best interests’ they may also still be a legislative exemption because of their low value.

3.5 There will be a continuing need to use this process to allow for those exemptions that European procurement law recognises, and also to provide the flexibility required during this period of transition and improvement in compliance in relation to commercial and procurement activity. The overall objective is to provide an audit trail for when the Council legitimately departs from a requirement to tender, and to significantly reduce the need for those waivers

where they are required due to poor planning, arranging for competitive procurement as required.

- 3.6 A summary of all contracts awarded under waiver arrangements for the period (both under delegated authority and through committee approval) from 1 March 2015 to 30 June 2015 is provided in Table 2 below, set alongside the total annual value of live contracts in operation over the same period. Further information on these waivers is detailed in Appendices 1 and 2.
- 3.7 One aim of the ongoing Purchase to Pay (P2P) project is to ensure that spend with non-contracted suppliers is minimised. A decrease in non-contracted spend has largely been as a result of closer financial management in this area and where appropriate, the approval of waivers has been necessary to continue service provision until a compliant procurement plan has been agreed for these contracts.

**Table 2 Contracts awarded under the Waiver of Standing Orders
(1 March 2015 to 30 June 2015)**

Directorate	Total Waiver Value under Delegated Authority 1 March 2015 – 30 June 2015 (£m)	Total Waiver Value by Committee Approval 1 March 2015 – 30 June 2015 (£m)	Annual value of live contracts* in the period 1 March 2015 – 30 June 2015 (£m)
Children & Families	£0.33m	£1.63m	£88.40m
Corporate Governance	£0.38m	£0.13m	£20.70m
Health & Social Care	£0.72m	£4.16m	£88.90m
Services for Communities	£0.60m	£4.04m	£159.00m
Economic Development	£0.06m	n/a	£4.20m
Cross-Directorate	n/a	n/a	£92.10m
	£2.09m	£9.96m	£453.30m

* Excludes contracts below a threshold of £25,000 annual value

Given their de minimis value, waivers under £5,000 have not been included in this table. There are a total of 15 waivers awarded with a value of less than £5,000 which account for an additional £53,364 in total.

- 3.8 The figures shown in Table 2 and Appendix 1 reflect the total financial value requested to be waived for the contracts in question. In a number of cases the actual spend will be less than this value.

- 3.9 Commercial and Procurement Services will continue to monitor and challenge submitted waivers and ensure continuing compliance with the CSOs.

CSO Approval Thresholds

- 3.10 The CSOs state that contracts in excess of £1m for supplies and services and £1.5m for works require approval from the Committee before award.
- 3.11 Contracts under the Committee thresholds to the value of £6.69m have been awarded in the period 1 March 2015 to 30 June 2015, and are detailed under Appendix 3. Given their de minimis value, contracts under the value of £25,000 have not been listed in the Appendix. There are a total of 18 contracts awarded with a value of less than £25,000 which account for an additional £212,096 in total.

Measures of success

- 4.1 By continuing to scrutinise and document all instances where it has been requested that the Council's CSOs be waived, this evidences strong authorisation and internal control processes within the City of Edinburgh Council.

Financial impact

- 5.1 There are no financial impacts directly arising as a result of this report. Contracts awarded or extended under delegated authority create a legally binding contract for and on behalf of the City of Edinburgh Council which is bound and liable for any conditions under such contracts.

Risk, policy, compliance and governance impact

- 6.1 A waiver denotes a departure from the Council's CSOs (which in part reflect the Council's legal obligations). There may be an increased risk if the Council has departed from EU requirements. However, each waiver is scrutinised on its own merits in this context, and is only approved if justifiable given the circumstances or permitted in accordance with EU obligations. This report outlines all waivers approved from 1 March 2015 to 30 June 2015, and all contracts awarded with a value over £25,000 and under the required committee approval thresholds in the same period, enhancing the Council's measures of transparency.

Equalities impact

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

Sustainability impact

8.1 There are no sustainability impacts directly arising as a result of this report.

Consultation and engagement

- 9.1 The Council's CSOs outline the appropriate measures of consultation and approval that must be sought from officers or committee for each waiver, dependent on the expected value (as set out at Table 1).
- 9.2 Following extensive consultation with service areas, revised CSOs were approved by the Council on 5 February 2015.
- 9.3 The revised waiver process and supporting documentation were launched in February 2015 to accompany the revised Council Standing Orders, and feedback received from services will be incorporated as appropriate through an annual review.

Background reading/external references

[Finance and Resources - Thursday 13 May 2015 \(item 79\) Contracts awarded under delegated authority \(waiver reports\) and Procurement activity](#)

[Review of Contract Standing Orders and Guidance on Consultants February 2015](#)

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

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Links

Coalition pledges	P30: Continue to maintain a sound financial position including long term financial planning
Council outcomes	CO25: The Council has efficient and effective services that deliver objectives
Single Outcome Agreement	
Appendices	Appendix 1 – Contracts Awards under waiver of CSOs by Delegated Authority Appendix 2 – Contracts Awards under waiver of CSOs by Committee approval Appendix 3 - Contract Awards below Committee Thresholds

Appendix 1 – Contracts awarded under the Waiver of CSOs by Delegated Authority

The following relate to the period 1 March 2015 to 30 June 2015.

Justification

Paragraph	Description of Justification	Amount
9.1.1	Legislative exemption	29
9.1.2	In the Council's best interests	47
		76

Delegated Authority Waivers by Directorate

Directorate	Children & Families	
Supplier/product or service	Justification for waiver	Value
The Place2be	In the Council's best interests. Extension of existing contract for a counselling service within primary schools, to provide continuity of care to children and to allow time to finalise the strategic review to the service and undertake an appropriate procurement exercise to ensure future compliance.	£146,000
Clyde and Forth Press Ltd	In the Council's best interests. Purchase of print space for foster care recruitment adverts in the Dunfermline Gazette and East Lothian Courier.	£8,688
Sleep Scotland	In the Council's best interests. Sleep counselling and support services for families of children with severe sleep problems in Edinburgh. The provider is the only known organisation that offers this service.	£11,783
Capability Scotland/Youth Zone	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self-directed Support.	£9,825
The Action Group	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self-directed Support.	£13,216
Action for Children	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self-directed Support.	£5,704

Care UK Homecare Ltd	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self –directed Support.	£15,838
Epilepsy Scotland	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self –directed Support.	£13,500
Lothian Autistic Society	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self –directed Support.	£24,999
Mochridhe Support Service	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self –directed Support.	£6,937
NAS Services Ltd	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self –directed Support.	£12,500
Clayton Care Ltd	In the Council's best interests. Extension of existing contract to allow the review of services to be completed in line with the implementation of Self –directed Support.	£13,749
Scottish Engineering	In the Council's best interests. A pilot for STEM engineering education in ten schools. This supplier offers the desired quality and level of learning through engineering from workshops, CPD, support and advice and customised national competition.	£6,000
The Yard	In the Council's best interests. A 12 month contract extension for provision of a play scheme drop-in for children and young people with disability and their families, to allow for a new service specification to be approved.	£20,663
Royal National Institute for the Blind	In the Council's best interests. A 24 month contract extension to allow the service area to develop a new service specification in partnership with the supplier which will be tested to ensure it appropriately meets the needs of children and young people with a visual impairment, and future strategy developed.	£22,500
		£331,902

Directorate	Services for Communities	
Supplier/product or service	Justification for waiver	Value
Pipeforscotland.com	In the Council's best interests. The Port Facility Security Officer at South Queensferry co-ordinates all aspects of a ships' arrivals. The visiting vessels, through the ships' agents, request that an appropriate welcome is provided. Each year since 2008, the services of the piper have been procured for each visit. The Shipping Agents have requested that this service continues. All costs are recovered.	£10,800
Tennant UK Cleaning Solutions Ltd	In the Council's best interests. Contract extension to provide essential maintenance to City Centre Task Force vehicles until replacement vehicles become available. Replacement was delayed due to high vehicle demand.	£14,925
Proquest Information and Learning Ltd	Legislative exemption. Proquest is the single source supplier of proprietary materials for family history research and education purposes in Libraries.	£18,800
Business Stream	In the Council's best interests. Work involves the connection of additional pipe work to the water mains for a Neighbourhood Environmental Project at West Pilton Community Gardens allotment. Only the relevant utilities company can connect to the water mains and Business Stream as part of Scottish Water would be best placed as well as the lowest priced contractor to undertake the works.	£13,059
Keep Scotland Beautiful	Legislative exemption. Keep Scotland Beautiful has exclusive rights under the licence granted to Keep Britain Tidy to administer the Green Flags Award scheme for parks in Scotland.	£7,670
Oxford University Press	Legislative exemption. The Oxford University Press (as publisher) is the only source of this proprietary material. The Oxford Reference Online Premium Collection is used as an education resource in libraries.	£11,075
RD Anderson Haulage Ltd	In the Council's best interests. To ensure continuity of provision of 18 tonne hiab lorries whilst a longer term contract finalised. In an initial procurement for a plant and vehicle framework, no suppliers met the specified vehicle requirement.	£21,366
Gordon Young Projects Ltd	In the Council's best interests. Conceptual art proposals for the Water of Leith Flood Prevention Scheme (two sets of flood gates on Warriston Road). The supplier has been working on the project since its inception and the local community has already been consulted.	£8,500
Cobweb Information Ltd	Legislative exemption. In order to provide a range of online reference information in Libraries to for business start ups and	£6,295

	small businesses, a 12 months contract is necessary for this single source supplier.	
Capita Business Services Ltd	Legislative exemption. Your Library portal website links to the Library Management System and other library service online databases. The product is not available from other suppliers as it is designed, built, and hosted by the suppliers as the Intellectual Property owners.	£9,000
Capita Business Services Ltd	Legislative exemption. The Prism Online Catalogue service provides customer access, library stock searching and online transactions and account management. This product is not available from other suppliers as it works with the supplier's library management system as Intellectual Property owners.	£5,000
Trading Standards Institute	Legislative exemption. The supplier is the only provider of metrological reference material and other Trading Standards technical support for the Trading Standards Service.	£5,473
Crown Plaza Edinburgh - The Roxburghe Hotel	In the Council's best interests. Payment to Roxburghe Hotel for the yearly self-financing Libraries & Information Conference called EDGE at low delegate rates.	£13,674
FES Ltd	In the Council's best interests. Rapid deployment mobile CCTV equipment to provide remote security protection to a number of Council properties citywide, to integrate with existing software in the Security Control Room.	£6,500
Rose Street Project Management	In the Council's best interests. This is a locally-based Crematoria specialist to support the specification and design of the new cremators at Mortonhall Crematorium, appointed following market research.	£9,570
Atkins Limited	In the Council's best interests. In December 2014 the Council authorised officers to prepare a detailed assessment of the case for extending the tram network and to report back to committee in Spring 2015. Council delegated authority to officers to procure consultants as necessary to support. Given the limited timescales and the considerable body of knowledge built up in recent years by the supplier on tram audit work, they were commissioned to undertake an independent review of the business case prior to submission.	£35,000
Thames Valley Controls Ltd	Legislative exemption. License payment to allow remote web based monitoring of passenger lifts in high rise buildings in Edinburgh. If the system were changed to another provider, new hardware would be required at prohibitive cost.	£5,149
Hays Specialist Recruitment Ltd	In the Council's best interests. To ensure continuity of employment for an agency employee who manages statutory	£25,000

	compliance contracts for lifts, escalators, lifting equipment and hoists, whilst the service is under review. Due to the incumbent's knowledge, it is deemed to be in the Council's interests to continue this arrangement rather than contract through the preferred supplier until the review is concluded.	
Siemens PLC	In the Council's best interests. In December 2014 the Council authorised officers to prepare a detailed assessment of the case for extending the tram network and to report back to committee in Spring 2015. Council delegated authority to officers to procure consultants as necessary to support. The supplier has been engaged to provide technical consultancy on systems and controls. During the first phase of the project, a substantial amount of knowledge was built up by the supplier that will prove crucial to ensuring that the Council receives robust advice in developing the business case for a future extension from York Place to Leith.	£25,000
Parsons Brinckerhoff Ltd	In the Council's best interests. In December 2014 the Council authorised officers to prepare a detailed assessment of the case for extending the tram network and to report back to committee in Spring 2015. Council delegated authority to officers to procure consultants as necessary to support. The supplier has been engaged to provide specialist technical design consultancy. During the first phase of the project, a substantial amount of knowledge was built up by the supplier that will prove crucial to ensuring that the Council receives robust advice in developing the business case for a future extension from York Place to Leith.	£30,000
Bilfinger Construction UK Limited	In the Council's best interests. In December 2014 the Council authorised officers to prepare a detailed assessment of the case for extending the tram network and to report back to committee in Spring 2015. Council delegated authority to officers to procure consultants as necessary to support. The supplier has been engaged to review existing design and develop the construction delivery strategy. During the first phase of the project, a substantial amount of knowledge was built up by the supplier that will prove crucial to ensuring that the Council receives robust advice in developing the business case for a future extension from York Place to Leith.	£5,000
Turner & Townsend Infrastructure	In the Council's best interests. In December 2014 the Council authorised officers to prepare a detailed assessment of the case for extending the tram network and to report back to committee in Spring 2015. Council delegated authority to officers to procure consultants as necessary to support. The supplier has been engaged to provide project management and consultancy on construction delivery strategy, cost planning and risk. During the first phase of the project, a substantial amount of knowledge was built up by the supplier that will prove crucial to ensuring that the Council receives robust advice in developing the business case for	£75,875

	a future extension from York Place to Leith.	
Keep Scotland Beautiful	Legislative exemption. Arrangement to continue with the Council's external street cleanliness LEAMS and CIMS inspections. There is no other supplier who can provide these services, which includes independent verification of the Council's statutory performance indicator for street cleanliness surveys.	£97,000
Modus Scotland Ltd	Legislative exemption. Maintenance of the Council's existing Asbestos Information Management System, in accordance with legislation and the Council's duty to manage asbestos within its domestic properties, until a longer term procurement plan is developed .	£13,650
PID Systems Ltd	In the Council's best interests. Currently 20 Council properties have alarm systems which are maintained by the supplier and monitored by Security Services. A contract extension is required in the short term to enable a competitive procurement process to be undertaken to utilise the Scotland Excel - Security Services and Equipment contract.	£56,000
Transport & Travel Research Ltd	In the Council's best interests. On 6 October 2014 a waiver was approved for £24,000, for technical support of the ECOSTars Edinburgh fleet recognition scheme until 31st March 2015. It is currently proposed that a regional or national ECOSTars scheme is established to replace individual local authority schemes. These proposals have not yet been sufficiently developed to launch. T&E Committee agreed on 17 March 2015 that the local Edinburgh scheme should continue for the next financial year pending a decision on the national or regional scheme.	£24,000
Lorensbergs Limited	Legislative exemption. Netloan software is designed to deliver easy, fair and equal customer access to public computers and public wifi in libraries with user management linking to the Capita Library Management System. The product, its maintenance and support is not available from other suppliers as Lorensbergs Limited holds the rights to the Netloan Software.	£9,137
R & A Software Systems Ltd	Legislative exemption. The supplier is the sole supplier of Ezytreev, the product used by the Council for Health & Safety tree inspections and responding to public enquiries, enabling the Council to meet its responsibility for public liability in relation to tree safety.	£9,700
ADT Fire and Security PLC	In the Council's best interests. Contract extension to allow for a procurement exercise to take place whilst allowing the present maintenance provider (ADT) to carry out required works to maintain (320) intruder alarms within Council Properties.	£23,000
		£595,218

Directorate	Corporate Governance	
Supplier/product or service	Justification for waiver	Value
Widerplan Ltd	In the Council's best interests. The UK Government is launching a new Tax free Childcare scheme that will replace the current Employer-provided Childcare salary sacrifice scheme. Existing arrangements with the supplier will continue until the UK Scheme is launched.	£45,980
Covalent Software	Legislative exemption. A contract extension is essential to enable ongoing access to performance management system.	£6,000
Armoir Ltd	Legislative exemption. Edinburgh Collected is a high profile and unique digital community archive of Edinburgh memories, maintained by Edinburgh Libraries, developed through the Open Data Scotland programme in partnership with Nesta. Armoir Ltd has developed this product and is the only supplier who can deliver the required support during the initial post project phase.	£8,400
Lockheed Martin Business Technology Solutions Ltd	In the Council's best interests. A contract extension to provide additional resources for development of the Council's Cognos BI data repository and dashboards.	£52,150
Caps Cases Limited	Legislative exemption. The supplier has been used to research and develop the use of cardboard polling booths since 2014. There are no other cardboard booths available in the UK and the Council is piloting their use as an economic and sustainable alternative to timber booths for use in elections.	£4,478
Halarose Limited	In the Council's best interests. Annual system support for Eros, a dedicated elections management database used jointly with Lothian Valuation Joint Board, with costs recoverable during the reclaim process.	£6,597
Capita Business Services Ltd	In the Council's best interests. Additional customer service staff resource from an external processing supplier to address operational pressures created by Welfare Reform, fully funded by the DWP and to mitigate against unacceptable claim processing times.	£110,000
Scania Great Britain Ltd	In the Council's best interests. The Culture and Sport service operates the Travelling Gallery, a unique custom-built vehicle on a Scania chassis, and it would be inappropriate for the vehicle to be serviced and inspected elsewhere. Fleet Services, Working on Wheels, the national mobile community organisation, and Lothian Buses recommend that maintenance support from Scania continue.	£6,380
JLT Ltd	Legislative exemption. Edinburgh Outdoors is a Council digital project funded by NESTA UK, to improve customer experience visiting Edinburgh's public parks. It was developed as a first case study for open data in 2012. JLT developed this product and is the only supplier who can deliver the refresh and additional content required.	£7,040
Steve Radcliffe Associates	In the Council's best interests. Leadership and Development support for the Council's senior leadership to ensure successful delivery of the transformation programme.	£24,000
Apex Developments Limited	In the Council's best interests. Property Conservation. As a previously competitively tendered contract was unsuccessful in curing the problem of a roof leak, continuity with the same contractor assists in the future diagnosis of the problem and the implementation of the required remedial works.	£11,495

Douglas Johnston	In the Council's best interests. Property Conservation specialist support in the application of Lithomex, with no other known UK expert in the field.	£25,000
Will Rudd Davidson	In the Council's best interests. Property Conservation structural engineering support to ensure knowledge continuity on complex projects.	£25,000
McCull Associates	In the Council's best interests. Property Conservation structural engineering support to ensure knowledge continuity on complex projects.	£25,000
David Narro	In the Council's best interests. Property Conservation structural engineering support to ensure knowledge continuity on complex projects.	£25,000
		£382,520

Directorate	Economic Development	
Supplier/product or service	Justification for waiver	Value
China Business Network	Legislative exemption. Arrangement for supplier to continue hosting and maintaining the Chinese version of the Invest Edinburgh website in China. Producing and distributing the Chinese version of the Invest in Edinburgh monthly newsletter to a wide range of Chinese audiences.	£8,500
Financial Times Limited	Legislative exemption. Arrangement to internationally promote the financial services sector in Edinburgh through The Banker and fDI Magazine (managed by the supplier), utilising both print and online advertising.	£18,000
Phoenix Broadband Limited	In the Council's best interests. This waiver seeks to extend the contract to supply IT services to the Creative Exchange incubator facility in Leith. The facility has been extended through a new lease. The supplier already supplies data provision in the building and this arrangement allows existing infrastructure to be extended.	£7,948
Chase Publishing Ltd – The European Magazine	Legislative exemption. Supplier to provide services to target and promote Invest Edinburgh sector messaging to international campaign markets, including 3 'email blasts'.	£5,000
University of Edinburgh	Legislative exemption. Capital City Partnership has received a grant from the Scottish Government for analysis of the Council's employability system, Caselink. The grant stipulates that the School of Informatics at the University of Edinburgh should carry out the work.	£11,700
Storm ID Ltd	Legislative exemption. To extend the existing contract for the continued maintenance, hosting and support of a newly refreshed, updated and more responsive web platform for Invest in Edinburgh.	£11,550
		£62,698

Directorate	Health & Social Care	
Supplier/product or service	Justification for waiver	Value
Smartbox Assistive Technology Limited	Legislative exemption. Equipment to support a client with neuro-progressive condition to be more independent. This is the only company that can provide all the equipment e.g. eye gaze, software, and other access items, as well as the only supplier that will provide ongoing training and support in the equipment at no extra cost.	£5,997
Smartbox Assistive Technology Limited	Legislative exemption. Equipment to support adults with complex physical disabilities. This is the only company that can provide all the equipment e.g. eye gaze, software, and other access items, as well as the only supplier that will provide ongoing training and support in the equipment at no extra cost.	£2,685
TM&R Ltd	Legislative exemption. To deliver a unique and innovative product, known as the Addiction companion Edinburgh (ACE) app. This arrangement is a prize arising from the Council's annual civic challenge 'EdinburghApps' competition	£23,200
Advanced Stairlifts Scotland Limited	In the Council's best interests. The Council has a statutory duty to maintain and service specialist equipment provided to people with illness and disabilities in their own homes. This extension allows for collaborative procurement of a framework with NHS and four other Councils (consolidated with the services currently provided by Park House Health Care). This continuity will allow for the creation a revision of specifications, whilst mitigating any health and safety concerns with regards clients and carers in the interim. .	£23,950
The Jericho Benedictines	Legislative exemption. Jericho House provides care home accommodation for men with alcohol-related brain damage. This extension allows for a new strategy to be developed for the service. Market engagement has identified no immediate alternative to the existing supplier.	£361,944
Midlothian Council	Legislative exemption. There is no other provider within South East Scotland who can offer Professional Development Award in Practice Learning at level 10, with only one SVQ Centre available to provide this course, and fees and payments administered through Midlothian Council.	£5,420
University of Edinburgh	Legislative exemption. The market has been investigated and there is no other provider within South East Scotland who can offer Mental Health Officer Award.	£10,800
The Scottish Parliament	Legislative exemption. For essential services which include venue accommodation, catering and audio visual equipment for two Scottish Older People's Assembly events (a reception held on 9 September 2015 and main Assembly on 5 October 2015).	£15,000
UK Smart Recovery	Legislative exemption. To continue payment for licenses and support for the Council's network of SMART recovery meetings, on the grounds that the supplier is a unique provider of the service.	£21,611
Park House Health Care Limited	In the Council's best interests. An extension of the current contract for the service and repair of equipment such as mobile hoists, electric beds, ceiling hoists, dynamic mattresses and cushions, to allow for collaborative procurement of a framework with NHS and four other Councils (consolidated with the services currently provided by Advanced Stairlifts Scotland). This continuity will allow for the creation a revision	£231,166

	of specifications, whilst mitigating any health and safety concerns with regards clients and carers in the interim. .	
SACRO	In the Council's best interests. An extension to volunteer transport services to all Scottish prisons and secure hospitals for visitors of prisoners/patients who would otherwise have difficulty in travelling. This continuity allows for development of a new service strategy which will take into consideration possible changes in the criminal justice service provision and the result of the transformation project.	£21,466
		£723,239

Appendix 2 – Contracts awarded under the Waiver of CSOs by Committee approval

The following relate to the period 1 March 2015 to 30 June 2015.

Directorate		Children and Families	
Date	Supplier	Contract Description	Value
19/03/2015	Dean and Cauvin Trust	In the Council's best interests. Two year extension for residential care service for vulnerable children and young people.	£1,634,856
TOTAL			£1,634,856

Directorate		Services for Communities	
Date	Supplier	Contract Description	Value
19/03/2015	Nice Work Ltd	In the Council's best interests. Technical support for business critical databases.	£53,500
13/05/2015	Various	In the Council's best interests. Young People's Services Foyer pilot.	£2,414,143
4/06/2015	Turning Point Street Works	In the Council's best interests. Homelessness prevention Crisis and Complex services pilot. Turning Point (£262,824) to provide visiting housing support and Street Works (£1,311,341) to provide visiting housing support and a Rough Sleeper Crisis Centre.	£1,574,165
TOTAL			£4,041,808

Directorate		Corporate Governance	
Date	Supplier	Contract Description	Value
13/05/2015	AXA, ZMI, QBE	In the Council's best interests. Purchase of Insurance for the following risks: All Risks (AXA Art), Fidelity Guarantee (ZMI) and Professional Indemnity (QBE)	£127,536
TOTAL			£127,536

Directorate		Health and Social Care	
Date	Supplier	Contract Description	Value
13/05/2015	Various	In the Council's best interests. Various contracts awarded to March 2018 (£1,337, 761) Mental Health and Wellbeing Contracts extended to March 2016 (£2,164,478) Disability service contracts extended for varying periods (£ 655,207)	£4,157,446
TOTAL			£4,157,446

Appendix 3 – Goods and service Contracts awarded with a value over £25,000 and below the committee approval thresholds of the CSOs

The following relate to the period 1 March 2015 to 30 June 2015.

Directorate		Children and Families	
Date	Supplier	Contract Description	Value
17/04/2015	PHS Laundryserv	Rental of PHS Laundryserv Equipment 2015-18	£245,780
01/04/2015	Children's Hospice Association Scotland	CHAS	£119,680
TOTAL			£365,460

Directorate		Corporate Governance	
Date	Supplier	Contract Description	Value
28/04/2015	Right Management UK Ltd	Career Transition Scheme	£165,000
TOTAL			£165,000

Directorate		Health and Social Care	
Date	Supplier	Contract Description	Value
01/04/2015	The Open Door	Open Door (The) Contract (registered day service for older people, in addition to contracts awarded in the Health and Social Care Contract report approved at September 2014 Finance and Resources Committee).	£129,657
01/04/2015	L'Arche	L'Arche - FA Restalrig (Base C&S) (night time staffing support, in addition to contracts awarded in the Health and Social Care Contract report approved at September 2014 Finance and Resources Committee).	£62,050
01/04/2015	Visualise	Visualise - FA Albert Street, Base C&S. (night time staffing support, in addition to contracts awarded in the Health and Social Care Contract report, approved at September 2014 Finance and Resources Committee).	£56,035
TOTAL			£247,742

Directorate		Services for Communities	
Date	Supplier	Contract Description	Value
21/05/2015	M&D (Leisure) Limited	Operation of the Festival Wheel for the Edinburgh Festival Period	£750,000
25/05/2015	Framework - Multiple Suppliers	Supply and Fitting of Vehicle Tyres	£570,000
18/05/2015	Clark Contracts Limited	Provision of Back Up Joinery Repairs	£469,056
23/03/2015	Consult Lift Services Limited	Lifts - Minor Works	£446,218
09/03/2015	GHI Contracts Ltd	Proposed Daycare Centre at 18 Firhill Neuk, Edinburgh	£332,749
06/05/2015	Coeval LED Products Ltd	Overheight Vehicle Detectors Replacement Scheme	£324,862
16/03/2015	Framework - Multiple Suppliers	Supply of 15 Electric Vehicles	£205,305
24/03/2015	Framework - Multiple Suppliers	Structural and Electrical Testing of Street Lighting	£180,683
01/06/2015	Framework - Multiple Suppliers	Provision of Transport Marshal Services	£177,000
09/03/2015	Aecom Limited	Market Research & Parking Utilisation Surveys	£106,893
02/06/2015	Redwood Global Limited	Supply & Delivery of Wood Chippers	£84,150
03/03/2015	APT Controls Limited	Supply and Installation of Six Electric Vehicle Charging Points	£83,767
17/03/2015	Framework - Multiple Suppliers	Supply of Lubricating Oils, Greases and Antifreeze	£80,000
21/04/2015	Underbelly Ltd	Concession for the use of the Meadows for the Edinburgh Festival period	£70,000
01/04/2015	Lightways Contractors Ltd	South West Hot Temporary Repairs	£34,806
12/06/2015	OCS Environmental Services Limited	Asbestos Surveys, Removal & Disposal & Analytical Services 11-14	£29,110
TOTAL			£3,944,599

Directorate		Cross Directorate	
Date	Supplier	Contract Description	Value
06/03/2015	Framework - Multiple Suppliers	Salary Sacrifice Car Lease Scheme	£800,000
01/04/2015	Framework - Multiple Suppliers	Supply Chain Framework for the Electronic Assistive Technological Goods	£360,000
01/04/2015	Framework - Multiple Suppliers	Telecare and Telehealth Technologies	£240,000
TOTAL			£1,400,000

Works contracts awarded with a value over £25,000 and below the Committee approval thresholds of the CSOs

Directorate		Corporate Governance	
Date	Supplier	Contract Description	Value
01/04/2015	Clark Contracts Limited	Loaning Crescent - External Render Repair Works	£176,314
23/03/2015	Apex Developments Ltd	Spey Terrace, 7-15 Roofworks	£42,924
TOTAL			£219,238

Directorate		Services for Communities	
Date	Supplier	Contract Description	Value
10/03/2015	Framework - Multiple Suppliers	Dirty Works - City Wide - Back Up Sub Contractor	£50,000
20/04/2015	Maxi Construction Ltd	013 - Bin Room Fire Suppression - Rev A	£34,000
19/03/2015	Hunter Demolition	Removal of Temporary Buildings and Site Clearance - 9 Lochside Avenue, Edinburgh	£30,979
TOTAL			£114,979

Consultancy contracts awarded with a value over £3,000 and below the Committee approval thresholds of the CSOs

Directorate		Services for Communities	
Date	Supplier	Contract Description	Value
10/03/2015	Healthmatic Ltd	Data Acquisition and Usage Analysis of Public Conveniences	£10,150

30/04/2015	Exp Consulting Ltd	Consultancy work to develop CEC Pavement Management System (UKPMS) and Strategic Road Asset Management Plan	£6,350
TOTAL			£16,500

Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Zero Hours Contracts – External Contractors

Item number	7.13
Report number	
Executive/routine	
Wards	

Executive summary

Introducing criteria which allow evaluation of workforce related conditions in relation to procurement activity for external contractors who use, or attempt to use, zero hours contracts will promote employment benefits for those employees while ensuring the good reputation of the Council is maintained.

Links

Coalition pledges	
Council outcomes	CO25
Single Outcome Agreement	

Zero Hours Contracts – External Contractors

Recommendations

- 1.1 The Commercial and Procurement Team conclude and report on the pilot procurement exercise(s) with regard to quality evaluation on workforce matters.
- 1.2 The Council adopt a policy statement in all future tender documentation stating the Council's position concerning the use of zero hours contracts.

Background

Zero Hours Contracts – Motion

- 2.1 At the Council meeting of 26 September 2013, a motion moved by Councillor Chapman, and passed by the Council, instructed an investigation into the use of zero hours contracts by the Council and by Contractors used by the Council.
- 2.2 The motion was as follows:
“Council:-
 - 1) Notes that zero-hours contracts, where people are employed with no guarantee of work, are used in all sectors in the city;
 - 2) Believes these contracts are problematic as they offer employees no certainty of work, poor financial stability and security, and often have poorer conditions in relation to employee benefits such as sick and holiday pay;
 - 3) Calls for a report for the next Finance and Budget committee detailing:
 - the use of zero-hours contracts in the Council;
 - numbers and costs of such contracts;
 - what services are delivered by staff on such contracts;
 - implications and possibilities of ending the use of such contracts and replacing them with contracts that provide sustainable financial security and improved conditions for staff.”
- 2.3 A report was prepared in response to the motion and presented to the Finance and Resources Committee on 28 November 2013.
- 2.4 The report concerned:-
 - 2.4.1 “Type 1” zero hours contracts. These were explained as being those used primarily to prevent individuals from being designated as employees and therefore gaining employment benefits, with associated employment cost being much lower. Their relationship with their employer being one where there is no guarantee of work but the worker is expected to be available for work at any time, if offered. It was further explained that as workers

they receive few, if any, employment benefits such as annual leave and sick pay. It was confirmed that the Council does not operate any such contracts.

2.4.2 “Type 2” zero hours contracts. These were explained as being those typically used by the Council to provide a wide range of cover for absence (e.g. teachers, learning assistants, home carers etc.) by retaining individuals on a list or register and then requesting that they work. It was further explained that when they do attend work, they receive an employment contract for the period of work containing prescribed hours, an indication of the duration of the contractual period, they become employees who receive contractual benefits e.g. service related annual leave, special leave and sickness allowances. It was also explained that without the use of such contracts for supply work, to cover unpredictable staff absences or to allow services to cope with seasonal fluctuations in staffing requirements or other short term peaks of activity, Council services would be faced with a choice of only offering permanent or fixed term contracts or being unable to provide appropriate cover for unpredictable requirements.

2.4.3 A final aspect to this report concerned the use of zero hours contracts by contractors to the Council. In order to establish the use of zero hours contracts by contractors to the Council, the report confirmed that relevant contractors would require to be identified and contacted for this information once the Council’s Contract Register was up to date.

The Council’s Contract Register

2.5 The Council’s Commercial and Procurement Services team worked with service areas to update the contract register and reported to the Finance and Resources Committee on 5 June 2014 and 3 February 2015.

Zero Hours Contracts – Briefing Note

2.6 On 15 January 2015 a briefing note was provided (concerning the use of zero hours contracts by contractors to the Council) to members to determine whether or not the matter would be brought back to the Finance and Resources Committee.

2.7 The briefing note confirmed that (following the Council’s contract register being updated) work could be undertaken to identify contractors who provide staff services while noting that there may be difficulties in completing the outstanding action as there is no basis on which to compel contractors to release the relevant information, nor to impose unilateral changes to existing contractual conditions.

2.8 Members have requested that the matter is brought back to the Finance and Resources Committee.

Zero Hour Contracts – External Contractors

- 2.9 The largest 250 external contractors of the Council were surveyed in May 2015 concerning their position in respect of the use of zero hours contracts.
- 2.10 The number and quality of the responses received was deficient for the purpose of the Council drawing appropriate conclusion(s).
- 2.11 In the absence of sufficient information from external contractors, proposals to protect the interests of contractor employees, and the Council, are outlined in the main report, below.

Main report

Zero Hour Contracts – External Contractors

- 3.1 The largest 250 external contractors of the Council were surveyed in May 2015 concerning their position in respect of the use of zero hours contracts.
- 3.2 A total of 4 responses were received from the 250 external contractors in receipt of the survey.
- 3.3 Of those 4 external contractors who did respond, they indicated that the work undertaken by employees on zero hours contracts included security services, skilled labour and construction services.
- 3.4 1 response indicated that their employees on zero hours contracts:- *“tended to be individuals who had alternative employment such that the work undertaken on a zero hours basis was simply supplementing a main salary coming from elsewhere”*.
- 3.5 The number and quality of the responses is unfortunately deficient for the purpose of allowing the Council to draw appropriate conclusion(s).
- 3.6 The survey has confirmed that there are difficulties in compelling contractors to release relevant information concerning the use of zero hours arrangements. A further follow up survey [also concerning external contractors use of zero hours contracts] was undertaken during August 2015; the response to this further survey was similarly poor.
- 3.7 In line with the approach taken by the Living Wage working group, it is proposed that the Council do not undertake further work attempting to collate the views of external contractors in respect of this matter, rather the Commercial and Procurement Services team focus on using evaluation criteria for new external contractors by asking them to confirm their position on workforce matters (which would include, but not be limited to, confirmation of their living wage and zero hours arrangements). This would allow a proportionate amount of the scoring to discourage the use of such conditions. It should, however, be noted that, as with the Living Wage, whilst such matters can be taken into account as part of evaluation, the Council cannot dictate how bidders operate their businesses.

Pilot Procurement Exercises to Assess [External] Workforce Controls

- 3.8 A number of pilot exercises are scheduled to allow the Council to assess workforce controls, including zero hours arrangements.
- 3.9 Responses from new contractors will be evaluated and lower scores for the relevant evaluation section would be expected where the Council determine that such organisations apply workforce controls that are to the detriment of their own employees.
- 3.10 These pilot exercises have been agreed by the Living Wage Working Group and are being led by Commercial and Procurement Services.
- 3.11 They are noted as:-
- 3.11.1 the 'Trauma and Final Clean' contract. The total contract value is £1.25 million or £250,000 per annum. Completion of the evaluation exercise is imminent;
 - 3.11.2 the 'Manned Security Services for the Corporate Estate' contract. A mini competition under a Scotland Excel framework agreement is planned for 2016; and
 - 3.11.3 the 'Provision of Communal Stair Cleaning Services' contract. The total contract value is £665,000 per annum. Contract negotiations are to proceed in respect of an extension to current arrangements.
- 3.12 The relevant workforce controls provisions in the pilot procurement exercise for the 'Trauma and Final Clean' contract are noted below:-

"Workforce Matters

The Council recognises that the quality of a contract will often depend upon a having a properly managed, motivated and remunerated workforce. The Council therefore encourages the Living Wage as part of a package of workforce measures which includes terms and conditions such as training and development, holiday provision and family friendly policies, as well as discouraging "zero hours contracts" where they have a negative impact upon employee conditions and any practice of employee blacklisting.

Reported benefits from employers are enhanced quality of work, a significant reduction in absenteeism and a significant impact on recruitment and retention.

Describe how your organisation proposes to commit to being a best practice employer in this respect in the delivery of this contract.

Note: good answers will reassure evaluators that your company takes the engagement and empowerment of staff seriously, takes a positive approach to skills and training and will demonstrate organisational integrity with regards to the delivery of those policies. This reassurance should be achieved by providing tangible and measurable examples that can be monitored and reported during contract management procedures."

- 3.13 Once the pilots are complete the Commercial and Procurement Team will be able to report on their success and financial and other implications for the Council. Any further decisions on policy direction can be taken at that time. It should also be noted that many public authorities are looking at the same issues and knowledge and advice is being shared to ensure that the Council remains at the forefront of best practice.

Measures of success

- 4.1 The reduction in the use of exploitative employment practices.

Financial impact

- 5.1 The pilot procurement exercise(s) will help the Council to identify what cost impact there may be from the implementation of these policies.

Risk, policy, compliance and governance impact

- 6.1 Maintaining workforce controls over procurement activity will reduce any reputational risks to the council from external contractors who may attempt to prevent individuals from being designated as employees and therefore gaining employment benefits (where associated employment costs would be much lower).

Equalities impact

- 7.1 There is no relationship to equalities impacts arising from this report.

Sustainability impact

- 8.1 Workforce controls over procurement activity will encourage external contractors to avoid employment provisions which may otherwise stop individuals from being designated as employees (with associated employment benefits).

Consultation and engagement

- 9.1 The ongoing work of the Living Wage Working Group has assisted the Council in the preparation of this report.

Background reading/external references

Report to Finance and Resources Committee, 3 February 2015 '[Living Wage and Workforce related matters in Procurement](#)'

Report to Finance and Resources Committee, 5 June 2014 '[Commercial and Procurement Service – Contract Register Update](#)'

Report to Finance and Resources Committee, 28 November 2013 '[Zero Hours Contracts – Use by Council: Update report](#)'

Minute from Council, 26 September 2013 ([item 10. Zero Hours Contract – Motion by Cllr Chapman](#))

Alastair Maclean

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Links

Coalition pledges

Council outcomes CO25 – The Council has efficient and effective services that deliver on objectives.

Single Outcome

Agreement

Appendices

Finance and Resources Committee

10.00am Thursday 24 September 2015

Review of events in relation to ownership of Parliament House in 2005/6 – referral from the Governance Risk and Best Value Committee

Item number	7.14
Report number	
Wards	All

Executive summary

The Governance Risk and Best Value Committee on 18 June 2015 considered a report which set out the sequence of events surrounding the acquisition of legal title to Parliament House by the Scottish Government despite it apparently being an asset of the Edinburgh Common Good fund. The report has been referred to the Finance and Resources Committee to consider any future legal action.

Links

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

Terms of Referral

Review of events in relation to ownership of Parliament House in 2005/6

Terms of referral

- 1.1 On 3 March 2015, the Governance, Risk and Best Value Committee requested a report on the events surrounding the acquisition of legal title to Parliament House by the Scottish Government despite it apparently being an asset of the Edinburgh Common Good fund.
- 1.2 A report detailing the sequence of events was discussed by the Governance, Risk and Best Value Committee on 18 June 2015.
- 1.3 The Governance, Risk and Best Value Committee agreed:
 - 1.3.1 To note the report.
 - 1.3.2 To note that there would be a forthcoming report on the Common Good Fund to the Corporate Policy and Strategy Committee which would address:
 - i. The potential for Common Good being removed from the Scheme of Delegation to Officers.
 - ii. Future reporting arrangements on the Common Good register.
 - 1.3.3 To refer the report to the Finance and Resources Committee to consider any future legal action.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked to consider any future legal action.

Background reading / external references

[Governance, Risk and Best Value Committee minutes 18 June 2015](#)

Carol Campbell

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Links

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

Governance, Risk and Best Value Committee

10.00am, Thursday 18 June 2015

Review of events in relation to ownership of Parliament House in 2005/6

Item number	B1.1
Report number	
Executive/routine	
Wards	

Executive summary

On 3 March 2015, the Governance, Risk and Best Value Committee called for a report on the events surrounding the acquisition of legal title to Parliament House by the Scottish Government despite it apparently being an asset of the Edinburgh Common Good fund.

This report sets out the sequence of events in question.

Review of events in relation to ownership of Parliament House in 2005/6

Recommendations

- 1.1 It is recommended that the Committee note this report.

Background

- 2.1 It was brought to the Council's attention in late October 2013, following information becoming known to the Council's Archivist, that a third party may have gained ownership to Parliament House, which was thought by the Archivist to be an asset of the Common Good fund. Further investigation identified that Parliament House (along with the rest of the court complex between Parliament Square and the Cowgate) was the subject of a voluntary registration of title by the Scottish Government in 2005.
- 2.2 The Council archives, while not definitive, suggest that Parliament House may have been held by the Council as part of the Common Good until this voluntary registration by the Scottish Ministers.
- 2.3 By way of additional background information, it appears that the property in question is referred to by some as Parliament Hall, and by some as Parliament House. However, for the purposes of this report, by referring to Parliament House this report is referring to the building which was, until the Act of Union 1707, the meeting place for the Parliament of Scotland, and of which Parliament Hall, in essence, forms the ground floor level, with another part, known as the Laigh Hall, located beneath that. Parliament House now physically forms part of the larger complex of court buildings located at Parliament Square, adjacent to St Giles Cathedral on the Royal Mile.

Main report

Events resulting in the title of Parliament House being acquired by the Scottish Government

- 3.1 In late 2005 the Scottish Government undertook a voluntary registration of their title to the court complex between Parliament Square and the Cowgate. At the time, the Government explained that "the purpose of the voluntary registration is to settle the extent of the Scottish Ministers title which is based on many fragmented titles to the land on which Parliament House sits, including the various levels below the High Street". Title to a large number of separate parcels of land was acquired by Scottish Ministers through their predecessors. Given the

vague descriptions in these historical titles it is impossible to establish that they have a clear title to the whole area.” Such a voluntary registration exercise is not uncommon for large landowners seeking to establish clarity as to aspects of their estate.

- 3.2 As quoted above, given the nature of the title deeds on which the Scottish Government based its claim, the Land Register requested that the Government obtain consent from four organisations to the registration, as well as confirmation from those parties that they had no right, title or interest to any part of the land in respect of which the Ministers were seeking to register a title. The four organisations were the Council, Historic Scotland, the Church of Scotland and the Society of Writers to Her Majesty’s Signet. The application for registration was, in essence, placed on hold whilst this consent and confirmation was sought.
- 3.3 On 28 April 2006, the former legal services division of the Council received a letter from the Scottish Government seeking the above-mentioned consent and confirmation from the Council.
- 3.4 To allow a response to be sent on behalf of the Council, the solicitor dealing with the query sought to verify the position with the former City Development Department of the Council. The solicitor concerned duly contacted City Development on 5 May 2006 and asked them to consider the query, so that it could be responded to.
- 3.5 On 8 May 2006 the solicitor received an acknowledgement that “property research” would be asked to check whether the Council had any right or interest in the site. There are insufficient records to confirm the nature of the check undertaken but it is believed likely that it involved a member of the Estates Research (or ‘Terrier’) team within City Development checking the site against GIS (a map based system giving information on the Council’s ownership). The team may have also consulted AIS (the Council’s property management system). Neither system recorded the Council having any interest in the site.
- 3.6 Subsequently on 8 May 2006 an officer within City Development confirmed to the solicitor that the records “indicate that the Council has no interests” in the site.
- 3.7 As a consequence of this confirmation, the solicitor wrote to the Scottish Government on 9 May 2006 giving the requested consent and confirmation. The Scottish Government wrote to the Council confirming receipt of this letter on 15 May 2006.
- 3.8 Subsequent to the Council’s response (and we understand those of the other organisations written to by the Scottish Government), the Land Register of Scotland completed the Scottish Government’s registration of title over the entire site. The title to the site is registered in the Land Register of Scotland under title Number MID83631. It should be noted that this site is for the larger court complex, of which Parliament House forms part.
- 3.9 Contemporaneously with the voluntary registration of the Scottish Ministers’ title, the Ministers also conveyed part of the site to the Faculty of Advocates, being

the Laigh Hall, which as explained above is the lower level of Parliament House. It is understood this has been used by the Faculty as a library for many decades, and that there was no price paid by the Faculty for this transfer. The title to the Laigh Hall is registered in the Land Register of Scotland under Title Number MID86039.

- 3.10 It should be noted that, following a statutory reorganisation of the courts service in 2010, the Scottish Ministers' title to the site has passed to the Scottish Courts Service ("SCS"), under the Judiciary and Courts (Scotland) Act 2008. However, by way of explanation, as the title transfer has been undertaken by way of this legislative change, and not a formal conveyance of the land, the Land Register still records the Scottish Ministers as the registered owner and not the SCS. Despite this, it is the SCS that now owns it.
- 3.11 The Council officials who dealt with the matter at that time do not appear to have considered the Scottish Government's request for consent and confirmation to be unusual or to merit further investigation beyond a routine property check. Given the nature of this request, the known incompleteness of GIS and the apparent widespread understanding of the complexities of some of the title deeds in the old town, it is considered that some greater degree of verification should have been undertaken, and that the proposed response should have first been escalated to more senior officers to give them awareness. The approach taken was unfortunate, as a review of the Council archives would have revealed evidence that was suggestive (but not conclusive) that the Council may have had title to Parliament House.
- 3.12 GIS is an evolving record system and does not show all assets that the Council has title to. GIS at that time was based on the paper records held by Edinburgh Corporation prior to dissolution in 1975. The majority of charters and other historical information prior to that date was not recorded on the system but was available via the Council archives. The 'Terrier' team continues to update GIS with information provided by the Legal team, other Council Service Areas and research carried out through the Register of Sasines. They remain aware that that GIS is incomplete, particularly in connection with historic records due to the complexities of the charter based nature of titles in the old and new towns.
- 3.13 The Common Good register which is held by the Corporate Accounts section of the Finance team, did not record Parliament House as a Common Good asset. This register does not appear to have been consulted by officers at the time, but in any event a check of this would not have affected the sequence of events.
- 3.14 Whilst the approach that was taken in 2006 to verify the interest the Council may have had in Parliament House has now been shown to have been too restricted, it should also be recognised that this is a property that Council had not occupied, or contributed to the operation or maintenance of, for some significant period of time, understood to have been since the 1800s.

Common Good records

- 3.15 The report on the Council's Common Good Fund for the year ended 31 March 2005 to the Executive of the Council on 28 February 2006 was called into the Council's (former) Resource Management and Audit Scrutiny Panel on 27 April

2006. The Scrutiny Panel considered this report along with tabled papers on Common Good Funds in Scotland and Edinburgh, prepared by Mr Andy Wightman (a member of the public), in which papers Mr Wightman raised concerns over the management of the Council's Common Good Fund and its standard of record keeping. As part of this report, he identified 8 individual properties that he considered should have been recorded on the Common Good register and which were not. One of these properties was "Parliament House".

- 3.16 As a consequence of this report, the Scrutiny Panel called for a report on the development, stewardship and record keeping of the Common Good Fund. A report by the former Director of Finance to the Executive of the Council on 12 December 2006 noted an action plan which was being proposed to properly establish the circumstances of the acquisition and use of each property identified by Mr Wightman, and noted that the detailed research into this would be continued, and that a QC would be appointed to review and opine upon the same. This review involved extensive and complicated research, some of which was legal, but some of which was historical, looking at the circumstances surrounding the origin of the Council's ownership of each property, and the uses to which it had been put.
- 3.17 Following the completion of this review, the former Director of Finance reported back to the Council's Finance & Resources Committee on 29 January 2008. This report considered the Common Good more generally, including the law surrounding it and the complexity involved in correctly identifying properties as being part of the Common Good, and also specifically assessed whether or not those 8 properties identified by Mr Wightman should correctly form part of the Common Good. Those officers understood to have been primarily responsible for the assessment of those properties appear to have investigated the status of New Parliament House (otherwise known as the Old Royal High School) on Regent Road/Calton Hill, and not Parliament House (i.e. not the property which was the subject of the voluntary registration by the Government in 2005). There is no evidence to suggest this was due to anything other than confusion over the property Mr Wightman had identified because of the similarity of the names.
- 3.18 If this mistake had not taken place, then the possible interest of the Council in Parliament House might have been identified in 2006/7, although given the passage of time, it cannot be determined if this would have taken place early enough in April/May 2006 to have prevented the Scottish Ministers' request for confirmation on the title position being answered in the manner it was.
- 3.19 Mr Wightman indicates on his on-line blog that around October 2006 he became aware of the apparent confusion between these two properties, and sought to bring that to the attention of the Council. Again, it is not clear who this was highlighted to, or when. However, if this is the case, it does appear there was a further missed opportunity to identify this issue much earlier, and at a stage when it may have been easier to correct.

Discovery of the Scottish Government's Voluntary Registration

- 3.20 It was brought to the attention of a Principal Solicitor in the Council's Legal team by the City Archivist in late October 2013 that the Faculty of Advocates may have recorded a disposition to Parliament House. As referred to in paragraph 2.1 above, a professional contact of the Archivist had become aware that the Faculty of Advocates might now own Parliament House, which the contact had

believed to be part of the City's Common Good, and owned by the Council. The contact had enquired of the Archivist if this was correct, and if ownership of the property had been transferred.

- 3.21 This triggered the Principal Solicitor to probe whether this was correct. By early November 2013 the Principal Solicitor had uncovered the voluntary registration of title by the Scottish Government, and reviewed information provided by the Archivist. It was also established that, as referred to above, the letter of 9 May 2006 disclaiming interest in Parliament House may have been erroneous.
- 3.22 By the start of December 2013, records indicate this matter had been brought to the attention of the Acting Head of Corporate Property, the Head of Legal, Risk and Compliance, the Director of Corporate Governance, the Chief Executive and the Council Leader.
- 3.23 The Council's external legal advisers were also requested to search the Scottish property registers to verify if there were any land transfers which might provide an explanation for this matter, and possibly demonstrate that the Government had previously acquired title to Parliament House from the Council or some third party. This search did not disclose any such land transfers.
- 3.24 Following a review of this advice and research, and the review of further information obtained from the Registers of Scotland in connection with the 2005 voluntary registration, it was considered that an approach should be made to the Government, to raise this with them directly. The reason for this approach was that whilst there might be possible legal remedies open to the Council, to re-acquire ownership of Parliament House, further research and advice was required to establish the prospects of success. As such, and recognising the potential sensitivity, and the fact there might be information not known to the Council which meant the SCS was in fact the rightful owner of Parliament House, it was considered that a voluntary resolution was preferable.
- 3.25 On 6 June 2014, the Principal Solicitor wrote to the Scottish Government suggesting that the Council was the rightful heritable proprietor of Parliament House, that there may have been an error in the 2005 voluntary registration process and seeking a discussion on this with the Government. Subsequent correspondence followed, including with the SCS, which resulted in a meeting between Council representatives, being an officer from Corporate Property and the Principal Solicitor, and Scottish Government representatives, the latter comprising the Scottish Government's Deputy Director, Civil Law & Legal System Division, and two other Scottish Government officials, on 3 December 2014. At this meeting the Council representatives explained the Council's position, following which meeting the Scottish Government officials were to consider matters further internally and then revert to the Council. The Government officials did, however, make clear at this meeting that the SCS, and not the Government, were now the owner of Parliament House.
- 3.26 Before the Government were able to revert formally, an article on the 'loss' of Parliament House was published in the Edinburgh Evening News on 16 February 2015. This article led to this Committee's consideration of this matter at its meeting of 3 March 2015, and the request for this report.

Future Considerations

- 3.27 The law around the registration of land ownership in Scotland has been the subject of recent reform, with the coming into effect in December 2014 of the Land Registration (Scotland) Act 2012. This, together with the Government's desire that all land owned by public bodies such as the Council should be registered on the Land Register by December 2019, means there is now a requirement for the Council to assess the extent to which its land is already on the Land Register, and what actions and resources would be required to complete this process.
- 3.28 The passage of the Community Empowerment (Scotland) Bill through the Scottish Parliament will, if it becomes law, likely also impose greater statutory obligations upon the Council as regards the accuracy of its Common Good records.
- 3.29 The expectations around the registration of the Council's estate on the Land Register, and these required enhancements to record keeping, should help mitigate the risk of such an occurrence happening again in the future. It is understood these matters will be the subject of a report to the Corporate Policy and Strategy Committee.

Measures of success

- 4.1 Not applicable.

Financial impact

- 5.1 A lack of a single centralised Council record, both as to its property holdings, and also its Common Good assets, places the Council at risk of failing to comply with its statutory duties in respect of the same, including reducing its ability to achieve Best Value through the use of those holdings. However, given the complexity around the identification of some of these property holdings, and whether or not they should be categorised as part of the Common Good, the Council must balance the costs involved in a wholesale review of the same, against the benefits which would be achieved. It is understood this is a matter which will be considered by the above-mentioned forthcoming report to Corporate Policy and Strategy Committee.

Risk, policy, compliance and governance impact

6.1 The same considerations apply as under Financial Impact.

Equalities impact

7.1 None.

Sustainability impact

8.1 None.

Consultation and engagement

9.1 None.

Background reading/external references

None.

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Links

Coalition pledges

Council outcomes CO25 - The Council has efficient and effective services that deliver on objectives

Single Outcome Agreement

Appendices

Finance and Resources Committee

10am, Thursday, 24 September 2015

Health and Social Care Integration – Update

Item number	7.15
Report number	
Executive/routine	
Wards	All

Executive summary

This report presents an update on the integration of Council social care functions with NHS Lothian health functions under the Public Bodies (Joint Working) (Scotland) Act 2014.

Links

Coalition pledges	P12 and P43
Council outcomes	CO10, CO11, CO12, CO13, Co14, Co15
Single Outcome Agreement	SO2

Health and Social Care Integration – Update

Recommendations

- 1.1 Members are recommended to note:
 - 1.1.1 the outputs from the Corporate Programme Office (CPO) Programme ‘Health Check’ and Internal Audit review
 - 1.1.2 the high level management actions to address the recommendations in the assurance reports
 - 1.1.3 the dependencies with Council transformation projects.

Background

- 2.1 Finance and Resources Committee requested regular update reports to track progress with the work associated with health and social care Integration. This is the seventh report in 2015.

Main report

Edinburgh Integration Joint Board (EIJB)

- 3.1 Formal delegation of functions and resources to the EIJB is scheduled for 1 April 2016, following approval of the Strategic Plan.
- 3.2 The EIJB is currently meeting formally bi-monthly and in development mode bi-monthly. It held its first formal meeting in July and met in August to consider planning and service development proposals for services for older people. It will have its second formal meeting in September.
- 3.3 A range of work continues in order to prepare for the delegation of functions in line with the statutory timescale.

Assurance

- 3.4 The Scottish Government requires all parties to undertake appropriate assurance prior to the delegation of functions to the EIJB.
- 3.5 The Council’s Corporate Programme Office undertook a ‘health check’ of the integration programme. The Council’s Internal Audit function audited the arrangements for integration. The Terms of Reference for the reviews are different but complementary.

- 3.6 The timing of the programme 'health check' by the Council's Corporate Programme Office covered the period up to the submission of the Integration Scheme to Scottish Government and the 'next phase' referenced relates to the transition period where the Integration Joint Board is established prior to delegation of functions. The scope and associated assessment score (five being the best possible, zero being the worst possible) are summarised below:
- Strategic Alignment – Five
 - Governance – Four
 - Business case – Four
 - Risk management – Four
 - Resource management – Three
 - Engagement – Four
 - Readiness for the Next Phase – Four
- 3.7 The overall rating is 'Amber-Green', indicating that 'delivery is probable' and the programme is ready to enter the next phase. The CPO also recognised the significant challenges ahead in later phases (once the EIJB is established and begins to implement its Strategic Plan) and the need for the EIJB to maintain tight control over a programme of this scale. A copy of the 'health check' report is provided in Appendix 1, including the recommendations for action and the management response to address each.
- 3.8 The timing of the Internal Audit review covered the period immediately following approval of the Integration Scheme by Scottish Government. The scope and associated risk rating (a five point scale: advisory, low, medium, high, critical) is provided below.
- Governance – High risk
 - Risk Management – Low risk
 - Project Management – Medium risk
 - Finance – High risk
- 3.9 A copy of the Internal Audit report is provided in Appendix 2, including the recommendations for action and the management response to address each.
- 3.10 In summary, the major management actions required to address recommendations from both reviews are:
- prompt appointment of EIJB Chief Officer and Chief Finance Officer by the Council and NHS Lothian
 - clarity on any ongoing stakeholder arrangements between NHS Lothian and the Council once functions are delegated

- clarity on how business support services will be provided by NHS Lothian and the Council to the EIJB for operational oversight of the delivery of service change, this includes strategic planning and programme management/implementation of the delivery of service re-design/integration; and
 - further detail on the arrangements for establishing EIJB budget and managing overspend by the Council and NHS Lothian.
- 3.11 This work is being led by the Chief Executives of NHS Lothian and the Council. The corporate support and finance actions are being taken forward by the relevant corporate support functions, including Corporate Finance.
- 3.12 NHS Lothian internal audit has also undertaken a review of their internal arrangements for delegation of functions to the EIJB. Finance was not in scope of this audit.

Chief Officer and Chief Finance Officer

- 3.13 The recruitment process for the Chief Officer is underway. Interviews will take place during the first week in October and it is likely the post holder will be in place by the turn of the year.
- 3.14 An interim Chief Finance Officer was appointed in August to ensure adequate financial assurance for the EIJB. The permanent post is within a proposed integrated management structure, which is still under discussion.

Strategic Plan

- 3.15 The consultation on the EIJB's Strategic Plan started at the beginning of August and will run to the end of October. The Council is a formal consultee and the document is available at <https://consultationhub.edinburgh.gov.uk/>
- 3.16 Council and NHS Lothian staff are supporting a range of workshops and consultation events with stakeholders and partners across the city to ensure wider consultation and debate. This builds on the collaborative approach adopted in the planning process to draft the Plan.

Impact on the Council

Review of Existing Governance Arrangements

- 3.17 The principle agreed in the Integration Scheme is that existing governance structures will be reviewed and amended to reduce potential for duplication.

Furthermore, the EIJB will have the authority to develop additional governance committees as it sees fit.

- 3.18 The EIJB has a statutory role for planning and commissioning and for integrated performance of delegated functions. Both of these areas impact on the role of Health, Social Care and Housing Committee.
- 3.19 The EIJB has determined that it wishes to create a Performance Sub Group and an Audit and Risk Committee.
- 3.20 A review of reporting is underway to determine the impact of these proposals on Council committees.

Transformational Change: Dependencies

- 3.21 A statutory requirement of the Public Bodies legislation is to integrate health and social care functions from the point of view of recipients. This is to be achieved via the role of the Chief Officer who is required to manage the delegated services in an integrated structure, to oversee service-redesign, local planning and operational management.
- 3.22 In line with Council and NHS Lothian agreement to adopt a locality approach, it has been agreed to appoint interim locality managers to support the development of locality planning and operational management for the new integrated functions. This will accelerate progress towards integration.
- 3.23 The process for appointment has begun and it is likely that managers will be in place by October. These managers will relate to the new arrangements for locality governance being developed in the city, but will be separate to the structure being developed for other Council functions. It is expected that these posts will relate to the community planning partnership 'Locality Leadership Teams' alongside senior managers from the Council and other community planning partners.
- 3.24 The Integration Scheme guidance requires that both NHS Lothian and the Council provide Professional/Technical and Administrative' (PTA) (or business support services) to the Integration Joint Board jointly. NHS Lothian directors are considering the PTA services for the IJBs from a pan-Lothian perspective.
- 3.25 Within the Council, a number of workshops are planned during September with staff who provide PTA/business support within Health and Social Care and corporately. These are being run as part of the Business Support Services (BSS) project. The purpose is to consider options for business support provision, which

ensure adequate support for the EIJB in line with the Integration Scheme. This will need to take into account an appropriate way to handle planned savings for 2016/17, given the new role of the EIJB.

- 3.26 Following on from these deliberations, a joint approach with NHS Lothian will be articulated for each of the Professional/Technical and Administrative services.

Measures of success

- 4.1 The Scottish Government has issued National Outcomes for the delivery of integrated health and social care as part of the final regulations. These are as expected [National Health and Wellbeing Outcomes Framework](#).
- 4.2 The Strategic (Commissioning) Plan work stream is tasked with planning for the delivery of these outcomes for the services in scope. The Programme Sub-Group on Performance and Quality is tasked with establishing local outcomes for measuring the success of the new Health and Social Care Partnership in relation to the national outcomes. A joint baseline has been developed and work is underway on a joint framework for the future.
- 4.3 The content of the Annual Performance Report is set out in regulations and includes performance with respect to the integration planning principles and in respect of localities.
- 4.4 The Edinburgh Integration Scheme outlines the process for determining the performance arrangements and for allocating responsibility for performance.
- 4.5 The EIJB has agreed to set up a Performance Sub-Group to ensure an integrated overview of the performance of functions and service re-design.

Financial impact

- 5.1 It is estimated that the Edinburgh Integration Joint Board will include a combined budget in the transition year 2015/16 of around £560 million; c£200 million of Council funds, c£300 million of community health NHS Lothian funds, and an early estimate of acute hospital related 'set aside' funds of c£60 million.
- 5.2 The resources for the functions in scope will be delegated to the Integration Joint Board for governance, planning and resourcing purposes. The delegated resources will be subject to financial assurance in order for the Integration Joint Board to understand any underlying financial risks. The figures may also vary subject to any impact of the Business Support Services proposals.
- 5.3 The Strategic Plan will identify how the resources are to be spent (at a high level) in order to deliver on the national outcomes and how the balance of care

will be shifted from institutional to community-based settings. Planned variances will be retained by the Integration Joint Board, which will have the power to carry reserves.

Risk, policy, compliance and governance impact

- 6.1 A detailed risk log is maintained for the Integration Programme and is reported through the status reporting process to the Shadow Health and Social Care Partnership and through the Corporate Programme Office Major Projects reporting procedure.
- 6.2 Major risks to both the Council and NHS Lothian as a result of the programme of change are also identified on Corporate Management Team, Health and Social Care and NHS Lothian risk registers.
- 6.3 The approach to risk management for the Integration Joint Board and respective parties is set out in the Edinburgh Integration Scheme and the EIJB received a report on 17 July on proposals to develop its Risk Management Strategy.

Equalities impact

- 7.1 The integration of health and social care services aims to overcome some of the current 'disconnects' within and between health and social care services for adults, to improve pathways of care and to improve outcomes.
- 7.2 The intention is to improve access to the most appropriate health treatments and care. This is in line with the human right to health.
- 7.3 A combined impact assessment procedure between NHS Lothian and Health and Social Care has been developed. This will be used for all impact assessments, as required across the joint service, once the Integration Joint Board is fully established.
- 7.4 An impact assessment of all four Lothian Draft Schemes was completed on 10 February 2015 by representatives from NHS Lothian and the four Lothian councils.

Sustainability impact

- 8.1 The proposals in this report will help achieve a sustainable Edinburgh because:
 - joint health and social care resources will be used more effectively to meet and manage the demand for health and care services
 - integrated services will promote personal wellbeing of older people and other adults in need support; and

- they will promote social inclusion of and care for a range of vulnerable individuals.

Consultation and engagement

- 9.1 Consultation and engagement form a key work stream in the programme. A number of events have taken place with managers and staff during the shadow arrangements.
- 9.2 The Integration Scheme to establish the EIJB was consulted upon widely. A full report on the consultation on the Integration Scheme was provided to Council on 30 April 2015.
- 9.3 A number of members of the EIJB, in line with statute, bring broader perspectives such as service users, carers and the third sector.
- 9.4 A comprehensive engagement programme is also underway to engage with a wide range of staff and stakeholders across the community in relation to the production of the Strategic Plan. The formal consultation on the draft plan will run from August to October. The Council will be a formal consultee.

Background reading/external references

[Finance and Resources Committee – 27 August 2015, Health and Social Care Integration Update.](#)

[Finance and Resources Committee – 4 June 2015, Health and Social Care Integration Update](#)

[Finance and Resources Committee – 13 May 2015, Health and Social Care Integration Update.](#)

[City of Edinburgh Council – 30 April 2015, Health and Social Care Integration Scheme - Consultation Responses](#)

[Health, Social Care and Housing Committee – 21 April 2015, Health and Social Care Integration Update.](#)

[Finance and Resources Committee – 19 March 2015, Health and Social Care Integration Update.](#)

[City of Edinburgh Council – 12 March 2015, Health and Social Care Integration Scheme: Final for Submission.](#)

Finance and Resources Committee – 3 February 2015, Health and Social Care: Draft Integration Scheme Consultation.

Health, Social Care and Housing Committee – 27 January 2015, Draft Integration Scheme Consultation.

Corporate Policy and Strategy Committee – 20 January 2015, Health and Social Care Integration Scheme: Draft for Public Consultation.

Finance and Resources Committee – 15 January 2015, Health and Social Care Integration; General Update.

City of Edinburgh Council – 11 December 2014, Health and Social Care Integration Scheme; Update on Draft Integration Scheme.

Finance and Resources Committee – 27 November 2014, Health and Social Care Integration Update.

Finance and Resources Committee – 30 October 2014, Health and Social Care Integration Update.

Finance and Resources Committee – 30 September 2014, Health and Social Care Integration Update.

Finance and Resources Committee – 28 August 2014, Health and Social Care Integration Update.

Corporate Policy and Strategy Committee – 5 August 2014, Health and Social Care Integration – Options Analysis of Integration Models.

See reports above for earlier reporting.

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Links

Coalition pledges	Ensuring Edinburgh and its residents are well cared for.
Council outcomes	Health and Wellbeing are improved in Edinburgh and there is a high quality of care and protection for those who need it.
Single Outcome Agreement	Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	Appendix 1: Integration Programme ‘Health Check’. Appendix 2: Internal Audit Report: Integrated Health and Social

Care.

Health Check Report

Health & Social Care Integration

FINAL, 18.06.15, Version V0.4

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Document control

Document	Corporate Asset Management Group Review Terms of Reference
Filename	Healthcheck_Report_H&SC_Integration_V0.4_20150618
Author(s)	Scott Robertson
Contributors	Karen Kelly, Susan Joyce

Version control

Version	Changes	Status	Version date
V0.1	Initial draft	Draft	01.06.15
V0.2	Incorporate Peer Review changes	Draft	08.06.15
V0.3	Incorporate Clarity & Accuracy feedback	Draft	15.06.15
V0.4	Incorporating final comments	Final	18.06.15

Distribution and review history

Version	Distribution list	Purpose	Comment/action location	Distribution date
V0.1	Karen Kelly	CPO Peer Review		01.06.15
V0.2	Susanne Harrison	Clarity & Accuracy		08.06.15
V0.3	Michelle Miller, Susanne Harrison	Final comment		15.06.15
V0.4	Michelle Miller, Susanne Harrison	Final		18.06.15

Executive Summary

Health check Assessment

RAG Assessment

Amber-Green

The Review Team finds that the overall programme/project status is Amber Green – Delivery probable.

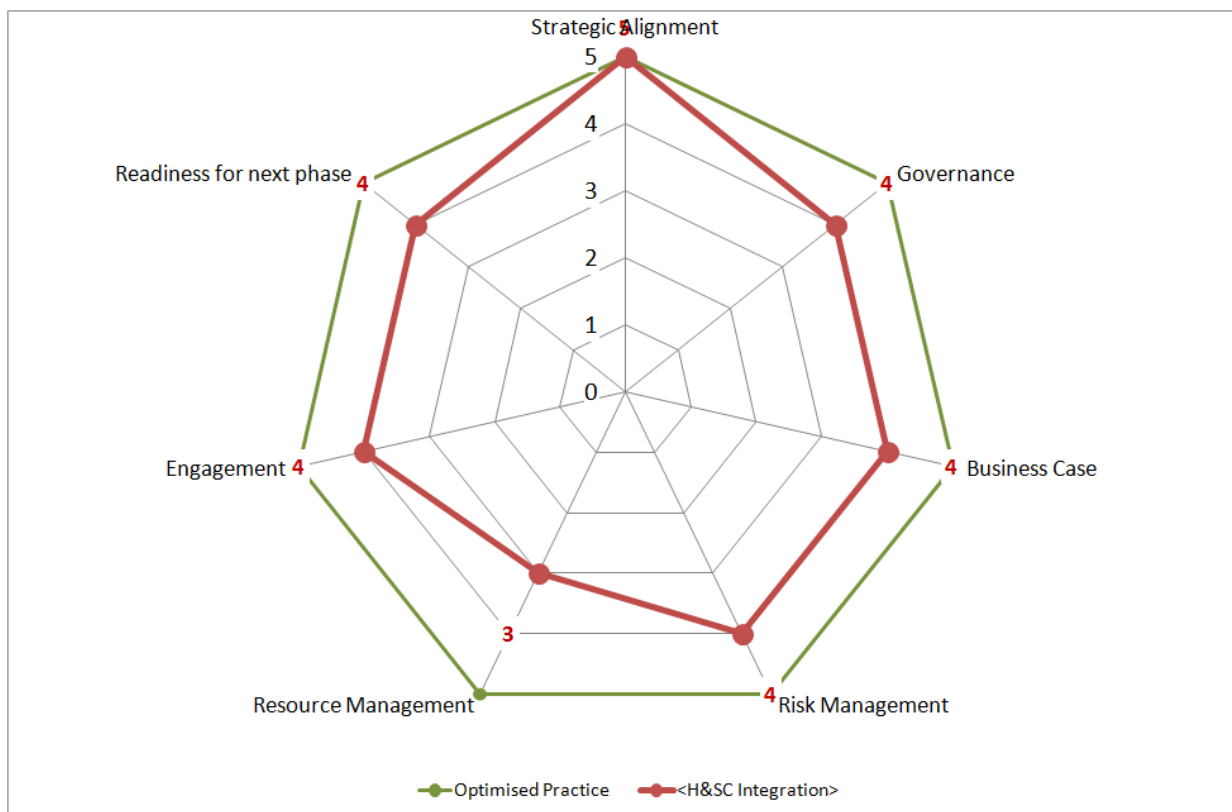
Overall the health check review team found that the Programme is employing good Programme Management practice. Strong strategic alignment is demonstrated by alignment with a number of Coalition pledges, Council outcomes and the Single Outcome Agreement. Governance is strong but the Programme should now be reviewing arrangements in light of the upcoming formation of the Integrated Joint Board (IJB) and in particular the role of the Leadership Group going forward. The Programme has a detailed Strategic Business Case that includes all of the key areas a Business Case should have, but ongoing updates, particularly at each stage of Programme Delivery should be undertaken.

Engagement to date has been strong with all key and other stakeholders involved when required. The Programme is entering a crucial phase that will deliver the key building blocks to deliver on implementation of the Strategic Plan and associated service design so it is crucial that engagement activities continue and where required are enhanced.

It is important that the Business Case for the programme is updated at each of the key stages or milestones of the programme to ensure it remains valid and that the most up to date information is conveyed to stakeholders. Finance and Resources Committee on 19th March 2015 expressed concerns over a lack of detail in the plan accompanying the business case, particularly in relation to task owners and progress with completion of tasks. A historical version of the plan was included as indicative of the detailed ongoing work. This demonstrates the importance of sharing the most up to date version with key stakeholders, even when intended to be indicative of the work ongoing.

The Programme benefits from a number of experienced and skilled staff who are motivated to drive the Programme forward. However, although not unique, the Programme does find itself delivering in an environment where some key resource crucial to delivery are outwith the jurisdiction and not accountable to or indeed managed by the Programme Manager or SRO. This is a risk to the Programme in terms of inability to lever deliverables and/or delivery of tasks taking longer than may be required.

Whilst the programme is ready to move to next phase, , significant challenges lie ahead once the Integrated Joint Board (IJB) is formed and the new organisation begins to implement its strategic plan. The importance of maintaining a tight control of a programme of this scale cannot be over-estimated. The Council and NSHL need to be assured of the IJB's capacity to undertake the delegation of functions and it will be the job of the new IJB itself to ensure it is adequately assured of its finances and of arrangements for the delivery of its change programme once established. A programme of this scale and complexity brings with it a number of major risks and these must be managed carefully. Continued tight programme controls will support such assurance.



Recommended Areas for Action

The recommendation of the Review Team is that the following are priority areas for action:

1. Governance: It is recommended that the remit is agreed for the Stakeholder Group prior to the delegation of functions to the IJB.
2. Business Case: should be updated at all key stages of the Programme and ideally in conjunction with NHS Lothian. The review team suggest that as a minimum the Business Case should be updated prior to Implementation of the new Governance model, i.e. formation of the IJB, at revision of the Strategic Plan and then again just prior to the delegation of functions.
3. Business Case: Programme Plan continues to be regularly reviewed to ensure any slippage outwith Programme tolerances can be identified as early as possible and addressed by the appropriate governance body. When a detailed programme plan is presented to stakeholders, the most recent version must always be presented, even when intended as indicative.
4. Resource Management: The Programme should consider provision of additional resource to manage 'touch points' with other key Projects and Programmes where dependencies have been identified to ensure there is understanding, clarity and input when decisions are made that will impact on the H&SC integration deliverables.
5. Resource Management: The IJB, once formed, should review the activities required through to the 1st April 2016 and put processes in place to ensure the right mix of skills and number of resources are in place particularly in relation to change where there will be a significant requirement to ensure there is a smooth transition to commence work required to deliver integrated services.

6. Engagement: The following documentation should be reviewed and if required updated for IJB approval, (i) stakeholder maps and engagement plans, (ii) Communication Plan, (iii) Involvement campaigns, (iv) Coaching and training plans.
7. Readiness for next phase: Undertake a workshop with key stakeholders within NHS Lothian and the Council to ensure there is a common understanding of activities, timelines, roles and accountabilities to ensure all activities for the Implementation of the Strategic Plan and service re-design are delivered by 1st April 2016.

These recommendations and further suggested actions are shown at appendix three.

Health check

1 Review Context

- 1.1. This Health check has been undertaken as the Programme is at a key stage in the preparation for delivery of the scheme. The draft H&SC Integration scheme detailing the local integrated care plans was submitted to the Scottish Government for Ministerial approval on 16th March, prior to the 1st April 2015 deadline.
- 1.2. The scheme is now moving through a 12 week approval process which includes laying the order for the establishment of the new body before Parliament. The submitted draft scheme has now been reviewed by the Scottish Government and minor changes required have been agreed by the Council and NHS Lothian and were submitted to Scottish Government in mid May. The IJB will be established by 27 June 2015 and its first meeting will be 17 July 2015.
- 1.3. The IJB where NHS Lothian and the Council are represented will make decisions about, and control the budget for, the delivery of integrated services. One of the key priorities for this board once formed will be to deliver the statutory Strategic Plan for how it will run services.
- 1.4. The national timescale for full operation of all the integration of authorities and associated delegation remains unchanged at the 1st April 2016. This is the date that the Scottish Ministers intend to prescribe as the date by which all functions must be delegated to NHS Lothian and the Council. All the integration arrangements as set out in the Act, Orders and Regulations, must be in place and responsibility for the functions delegated.
- 1.5. Post 1st April 2016 work will then progress with Implementation of the Strategic Plan and management of the service re-design.
- 1.6. The review took place against the following project context:
 - 1.6.1. The review took cognisance of the Council progress with delivery of the scheme only. NHS Lothian, the other key partner in the Programme were not included in the review.
 - 1.6.2. The creation of the Integration Authority also requires a comprehensive and three way due diligence process for NHS Lothian, the Council and the new IJB. Council Finance and Internal Audit are currently in discussion with NHSL Finance and Auditors to agree a process and therefore Financial Assurance did not form part of the scope of this review.
 - 1.6.3. Agreement by the Director of Corporate Governance that the Corporate Programmes Office would undertake a review of the Programme following concerns relating to the Programme delivery at the Finance & Resources Committee on 19 March 2015. A separate Financial Assurance exercise will be undertaken by Internal Audit as highlighted in section 1.6.2.
 - 1.6.4. To note that integration of authorities and associated delegation is just the first stage in delivering fully operational integrated services post 1st April 2016.

2 Approach Taken

- 1.1. The approach taken was one following standard practice for the assurance of programmes or projects through Gateway Reviews, as referenced in PRinCe2, Managing Successful

Programmes (MSP), the Association of Project Management's (APM) Book of Knowledge (6th Edition).

- 1.2. The Project/Programme Team were asked to provide key project documentation. A desktop review of this was undertaken by the Health Check Team. This was followed by a series of interviews with key staff from within the programme structure and stakeholders. The interviews were guided by a series of assessment criteria examining seven factors, as laid out in the CPO's Assurance Review Evidence Framework¹, tailored to reflect the fact that this was a Health Check. The evidence gathered was then assessed and an overall Red/Amber/Green (RAG) score determined based on a five point scale

RAG	Delivery Capability
Green	Delivery Highly Likely
Amber-Green	Delivery probable
Amber	Delivery feasible
Red-Amber	Delivery doubtful
Red	Delivery unachievable

¹ Assurance Reviews Evidence Framework_v6_20130325

Findings and Recommendations

3 Strategic Alignment

- 3.1. Public sector reform policy is the main driver behind integration. The primary legislative requirement is the Public Bodies (Joint Working) (Scotland) Act 2014 which places a statutory requirement on both constituent authorities to delegate functions to an Integration Authority, to make associated payments to the new body and respond accordingly to the directions issued by it.
- 3.2. Timescales for delivery of the Integration Authority have been set by the Scottish Government who mandated delivery of the integration of authorities and delegation of functions by the 1st April 2016.
- 3.3. The balance of care and resources has not been shifted sufficiently in the last ten years and the cost of doing nothing is unaffordable. Maintaining the status quo over the next twenty years is estimated nationally, by the Scottish Government, to be £2.5billion which would necessitate annual uplifts of 1.25% and 2.7% to NHS and Local Authority budgets respectively until around 2030.
- 3.4. Additionally the Programme demonstrates strong strategic alignment to Coalition Pledges P12 and P43, Council Outcomes CO10, CO11, CO12, CO13, CO14 and CO15, and Single Outcome Agreement SO2.

4 Governance

- 4.1. The Programme demonstrates strong Governance arrangements currently. It has been agreed that the Leadership Group will wind down during the transition year. It is likely that it will be replaced by an ongoing Stakeholder Group made up of Council and NHS leaders with a remit to ensure ongoing dialogue between the delegating parties.
- 4.2. ***Recommendation: It is recommended that the remit is agreed for the Stakeholder Group prior to the delegation of functions to the IJB.***

5 Business Case

- 5.1. A Strategic Business Case has been prepared and was presented to Finance and Resources Committee on 19 March 2015. The Business Case presented contained all of the key elements a Business Case should have. However the Programme Plan, added as an appendix, had not been updated in the report that went to Committee which made progress with delivery look slower than it actually was. The plan has since been revised to reflect all of the key tasks, owners and delivery dates.
- 5.2. As the Business Case is a living document throughout the Programme delivery the Programme Manager has responsibility for ensuring it is kept up to date and as the recommendation below highlights, should be updated at least at each stage of Programme Delivery.
- 5.3. ***Recommendation: Business Case should be updated at all key stages of the Programme and ideally in conjunction with NHS Lothian. The review team suggest that as a minimum the Business Case should be updated prior to Implementation of the new Governance model, i.e.***

formation of the IJB, at revision of the Strategic Plan and then again just prior to the delegation of functions.

- 5.4. Recommendation: Programme Plan continues to be regularly reviewed to ensure any slippage outwith Programme tolerances can be identified as early as possible and addressed by the appropriate governance body. When a detailed programme plan is presented to stakeholders, the most recent version must always be presented, even when intended as indicative.**

6 Risk Management

- 6.1. Although the review team has no specific recommendations for the Programme in relation to risk management, it is worth noting that due to the complexity of the Programme there are not just risks to delivery of the Programme, there are also risks specific to the different parties involved, i.e. the Council, NHS Lothian and the IJB.
- 6.2. The added complexity is that mitigating actions for some actually exacerbate risks in other quarters, e.g. actions to bring down financial exposure to the Council effectively increase the financial risk to NHS Lothian and/or the IJB or vice versa.
- 6.3. The Programme is in regular contact with the Council Risk team who have sight of this through Departmental and Corporate Risk Registers. The review team do not think this requires any remedial action but should be noted.
- 6.4. The Programme Risk register is colour coded to distinguish where the risk falls and NHS Lothian record their own risks through their own organisational approach.

7 Resource Management

- 7.1. Although there are a number of highly skilled staff delivering the Programme, there is a risk that some key resource, in particular those from NHS Lothian, are not managed on a day to day basis by the Programme. Although this has not had a detrimental effect on the Programme so far it has on occasions increased the amount of time spent reaching agreement that should be noted.
- 7.2.** There are also key dependencies or 'touch points' with other Programmes and Projects that need to be carefully managed, e.g. The Transformation Programme and the work being undertaken by the Citizens and Neighbourhoods and Business Support Services function that the review team feel would benefit from a resource managing these 'touch points' to support Programme Management and to ensure blueprint and phasing development takes account of the role and statutory requirements of the new Integration Authority.
- 7.3.** There are currently significant pressures on both health and social care budgets. The total financial resource available to the Integration Authority will be c£580M. This includes an early estimate of the amounts to be 'set aside' for the Integration Authority which is in the region of £90M.
- 7.4.** As described in 1.6.2 above there is to be a Financial Assurance exercise taken forward in the next couple of months that will provide greater transparency on the budgetary pressures highlighted.
- 7.5. Recommendation: The Programme should consider provision of additional resource to manage 'touch points' with other key Projects and Programmes where dependencies have**

been identified to ensure there is understanding, clarity and input when decisions are made that will impact on the H&SC integration deliverables.

- 7.6. ***Recommendation: The IJB, once formed, should review the activities required through to the 1st April 2016 and put processes in place to ensure the right mix of skills and number of resources are in place particularly in relation to change where there will be a significant requirement to ensure there is a smooth transition to commence work required to deliver integrated services.***

8 Engagement (Stakeholder & Market)

- 8.1. The project has demonstrated good stakeholder management with engagement undertaken with all stakeholders when required. Evidence of this engagement was seen prior to submission of the draft integration scheme to the Scottish Government. Formal consultation took place between January and February 2015 with twenty three responses received, eleven from organisations and twelve from individuals.
- 8.2. Moving forward towards the 1st April 2016 the review team would recommend that engagement is increased to ensure all stakeholders and staff are fully briefed and engaged in the activities between now and next April. This will ensure the transition required to implement the strategic plan and the management of service re-design activities post April 2016 to ensure the best chance of success.
- 8.3. ***Recommendation: The following documentation should be reviewed and if required updated for IJB approval, (i) Stakeholder maps and engagement plans, (ii) Communication plan, (iii) Involvement campaigns, (iv) Training and coaching plans.***

9 Readiness for the next phase

- 9.1. The 'next phase' of this Programme encompasses the time from submission of the draft integration scheme to the Scottish Government through to formation of the IJB, development, consultation and revision of the of the Strategic Plan through to integration of authorities and delegation of functions by 1st April 2016. It excludes the activities post 1st April 2016 whereby the Strategic Plan will be implemented and management of service re-design.
- 9.2. The Programme has a detailed plan of activities, with owners assigned to deliver the above phases but this will need to be ratified once the IJB is formed. Additionally the Programme should review resourcing (as detailed in section 7 above) particularly in the area of change as a significant element of change is required that will need to not only be resourced sufficiently but also managed effectively if the Integration of authorities and delegation of functions is to be successful.
- 9.3. ***Recommendation: Undertake a workshop with key stakeholders within NHS Lothian and the Council to ensure there is a common understanding of activities, timelines, roles and accountabilities to ensure all activities for the Implementation of the Strategic Plan and service re-design are delivered by 1st April 2016.***

Appendix One: Interviewees

Name	Role
Peter Gabbitas	Dir. of Health & Social Care
Cllr Ricky Henderson	Chair, Edinburgh Health & Social Care Partnership
Susanne Harrison	H&SC Integration Programme Manager
Dorothy Hill	Communications & Engagement
Wendy Dale	Strategic Commissioning Manager
Hugh Dunn / Karen Dallas	Finance and Resourcing

Appendix Two: Review Team

Name	Role
Scott Robertson	Lead Reviewer
Susan Joyce, Joanna Hamilton- Rigg	Review team member(s)
Karen Kelly	CPO peer review and sign off

Appendix Three: Priority Recommendations & Suggested Actions

The table below shows priority actions recommended from this review. Project/Programme responses to the actions are recorded in the final version of the report and will be subject to tracking by the Corporate Programmes Office.

Ref.	Theme	Priority Recommendation	Priority (vital/important)	Response / Action Date: Contributors:	Target Date
1	Governance	It is recommended that the remit is agreed for the Stakeholder Group prior to the delegation of functions to the IJB.	Important	<p>This is being addressed by the Chief Executives of NHS Lothian and the Council through the Joint Leadership Group</p> <p>An interim Chief Finance Officer is now in post.</p> <p>Recruitment for the Chief Officer is in progress and an appointment is likely by early October at the soonest.</p> <p>Governance arrangements for older people's service- redesign are also currently being reviewed. This will link into future 'Stakeholder Group' arrangements</p>	1 April 2016
2	Business Case	Business Case should be updated at all key stages of the Programme and ideally in conjunction with NHS Lothian. The review team	Important	The Strategic Plan will, in effect, be the next stage of business case development for the integrated services. It will be available by January 2016. The Draft	31 January 2016

		suggest that as a minimum the Business Case should be updated prior to Implementation of the new Governance model, i.e. formation of the IJB, at revision of the Strategic Plan and then again just prior to the delegation of functions.		<p>Plan will be out for consultation between early August and the end of October 2015</p> <p>It is expected that each of the proposals for major service change will have detailed business cases and that these will be developed during the first year of full operation of the Edinburgh Integration Joint Board.</p> <p>Work has been progressing most recently on the 'Bridging Fund' proposal for services to frail older people. The EIJB will be reviewing proposals at its meeting in September 2015.</p>	<p>31 December 2016</p> <p>31 August 2015</p>
3	Business Case	Programme Plan is regularly reviewed to ensure any slippage outwith Programme tolerances can be identified as early as possible and addressed by the appropriate governance body. When a detailed programme plan is presented to stakeholders, the most recent version must always be presented, even when intended as indicative.	Vital	<p>The Programme Plan is reviewed in detail bi monthly in line with the Council's Status reporting arrangements.</p> <p>A high level update of progress is provided monthly to Council's Finance and Resources Committee.</p>	Ongoing
4	Resources	The Programme should consider provision of additional resource to manage 'touch points' with other key Projects and Programmes where dependencies have been identified to ensure there is understanding, clarity and input when decisions are made that will impact on the	Important	The Scottish Government Transition Fund monies have been used to support programme resources. The Edinburgh Integration Joint Board is to determine the use of monies available for 2015/16	30 September 2015

		H&SC integration deliverables.			
5	Resources	The IJB, once formed, should review the activities required through to the 1 st April 2016 and put processes in place to ensure the right mix of skills and number of resources are in place particularly in relation to change where there will be a significant requirement to ensure there is a smooth transition to commence work required to deliver integrated services.	Vital	The EIJB Development session in October is to focus on financial matters including due diligence/assurance in readiness for delegation of functions	31 October 2015
6	Engagement	The following documentation should be reviewed and if required updated for IJB approval, (i) Stakeholder maps and engagement plans, (ii) Communication plan, (iii) Involvement campaigns,(iv) Training and coaching plans.	Important	<p>The EIJB was updated on the Strategic Plan development on 17 July. This included the approach to development of the Draft Plan and the consultation.</p> <p>The EIJB have requested details of the proposed communication and consultation on the older people's service re-design as outlined in the 'Bridging Fund Paper' and on more general communications matters such as website and branding.</p> <p>The EIJB have requested an update on the integrated Learning and Development Plan. This will be provided as agenda allows.</p>	14 September 2015
7	Readiness for next phase.	Undertake a workshop with key stakeholders within NHS Lothian and the Council to ensure there is a common understanding of activities,	Vital	The Strategic Plan must be written and agreed by 1 April 2016, prior to delegation of functions. The changes	Timescale to be determined

		<p>timelines, roles and accountabilities to ensure all activities for the Implementation of the Strategic Plan and service re-design are delivered by 1st April 2016.</p>		<p>need not be implemented by this time.</p> <p>The reality is that the scale of change is such that the first three year Strategic Plan will address the most important areas of service re-design. This has started with a focus on services for older people as part of the 'Bridging Finance' proposal.</p> <p>The Chief Officer must lead, on behalf of the EIJB, on the implementation of the Strategic Plan</p> <p>A workshop will be considered once the Chief Officer is appointed.</p>	<p>by Strategic Plan 'Implementation Plan' details and Chief Officer</p>
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The table below shows additional suggested actions arising from the review and indication of where help and support might be available to implement these.

Ref.	Theme	Suggested Action	Additional support / resources available
1		None	
2			
3			
4			

5			
...			

Appendix Four: Documents Reviewed

Document
Strategic Business Case
Project Plan
Status Reports
Governance arrangements
Project Board Papers
Financials
Risk register
Issue Log
Comms / Stakeholder Engagement
Other key documents specific to this project

The City of Edinburgh Council **Internal Audit**

Integrated Health and Social Care

Final Report
August 2015

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Although there are a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility.

Executive summary

Conclusion

The implementation of the Edinburgh Integration Joint Board (EIJB) is ongoing, with the board being legally established on 27 June 2015 and meeting for the first time on 17 July. After this initial meeting, the EIJB will work with the Council and NHS Lothian (NHSL) to ensure that all agreed functions can be delegated to the EIJB by the statutory deadline of 1 April 2016.

Through this audit, we have identified several areas where there is significant scope for improvement, in particular relating to financial management and governance. Failure to implement improvements to the current structure and governance could result in delays to implementation of the integration scheme and failure to meet the 1 April 2016 transition deadline with an effective EIJB in place.

Summary of Findings

The four areas which were investigated during the audit work can be summarised in the following table:

Control Area	Overall Risk Rating
Governance	High
Risk Management	Low
Project Management	Medium
Finance (includes one 'critical' rated finding)	High

Our detailed findings and recommendations are laid out within Section 3: Detailed Findings.

1. Background and scope

Introduction

The Public Bodies (Joint Working) Scotland Act 2014 was designed to ensure better connected and co-ordinated services for adults through the integration of health and social care services currently provided separately by local authorities and health boards.

The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integration Joint Board, the EIJB, to plan for and oversee the provision of adult care within the city. A shadow board was in place at the time of the audit. The new EIJB was established in law on 27 June 2015 and its first meeting took place on 17 July 2015. Functions, services and resources will be fully delegated by 1 April 2016.

The creation of the Integration Joint Board means that a single legal entity will have responsibility for the strategic planning, resourcing and operational oversight of a number of health and social care services. This will require strategies to be in place to ensure that there is an effective relationship between the three bodies, and that any items which require further discussion within either CEC or NHSL can be considered within the appropriate area, whilst still being under the ultimate remit of the EIJB.

In March 2015, the Draft Integration Scheme was submitted to the Scottish Government. It was reviewed and an update made. This update was approved, leading to the establishment in law of the EIJB. This scheme details how the Board intends to operate, covering key areas such as delivery arrangements, clinical care, governance and finance. Prior to 1 April 2016, more detailed governance arrangements will need to be put in place, clearly defining which responsibilities each of the stakeholders will have, as well as how they will work together to support the EIJB and to achieve full integration.

The Scottish Government issued the "Guidance for Integration Financial Assurance" in December 2014. This guidance provides advice for bodies involved in integration on how to use assurance to ensure that Integration can occur successfully. It is recommended that during the integration process, internal audit is used to provide assurance on:

- The plans for financial governance, risk and financial assurance;
- Whether lessons learned from other integration projects have been used;
- The financial provisions to be included in the Integration Scheme; and
- That the financial measures which will be used by officers to assess whether integration has met its objectives have been identified and that there is a process for obtaining data which can be used for base lining.

This review has been completed as a part of the assurance work required for the EIJB, with NHS Lothian performing a similar review in line with their requirements. The scope of the NHS Lothian report specifically did not include finance.

The Corporate Programme Office (CPO) within CEC has performed a Health Check on Health and Social Care (H&SC) Integration to provide guidance and recommend areas of best practice which could be beneficial to CEC at the current stage in the process. We would also note that CEC commissioned KPMG to prepare a report on the achievability of the H&SC budget for 2015/16. As part of phase II of their work, KPMG is working with H&SC to create business cases and plans for a transformational programme to address the opportunities identified in their

earlier report to build on existing work and create a sustainable Adult Social Care service.

Scope

This review was designed to assess the development of Governance, Risk Management and Project Management for the Integrated Board and consider the approach used to allocate finances from the Council to the EIJB. The sub-processes and related control objectives included in this review were agreed within the Terms of Reference (Appendix One).

The approach taken was:

- Obtain an understanding of the processes and controls in place through discussions with key personnel, review of systems documentation and walkthrough tests; and
- Evaluate the design and maturity of the controls and processes in place.

This work was performed using the checklist shown within the Terms of Reference and does not cover clinical governance.

To avoid any overlap with the KPMG report, we have not considered the feasibility of planned savings for 15/16 within the Adult Social Care budget, or the deliverability of this budget.

2. Main Findings

The EIJB draft Integration Scheme was agreed by the Scottish Government following a 12 week approval process in May 2015. This scheme takes into consideration that the EIJB is not planned to be fully operational until 1 April 2016, therefore acknowledging that there are still many considerations to be made and many areas to be worked on prior to implementation, as is the case across Scotland.

Through our testing, we noted a total of 9 control weaknesses. These have been assessed as 1 critical risk, 3 high, 2 medium and 3 low.

The key risks identified can be summarised as follows:

Governance

- There is no Chief Officer or Chief Financial Officer in place, meaning that no officer has overall ownership for the project; and
- There is not clarity around what will replace the current Joint Leadership Group (which is due to stand down), and in what format this group will meet;

Project Management

- There is not yet clarity over how the integrated management structure which is to be put in place will operate, or how this will report to the Chief Officer. In addition to this, there is not yet agreement over how functions that will not be delegated to the EIJB will support it, or how these will be split between the partner bodies

Risk Management

- The EIJB's risk management function and risk appetite have not yet been developed.

Finance

- There is no clarity around whether the funding provided by the partners in the EIJB is aligned with the functions /services they assess as being required;
- As the EIJB has not yet been formed, CEC is meeting the costs that they are incurring in connection with establishing the EIJB. The costs of this are included within the Health and Social Care budget, currently running with a predicted overspend net of current savings planned of £9.5m; and
- Once established, should the EIJB have an overspend, it may request further funding from CEC or the NHS. There is no clarity over CEC's responsibilities in such an event.

3. Detailed findings

Governance	
1.1: An integration Joint Board is in place and attended by all relevant stakeholders	High
<p>Observation and Risk</p> <p>It has been agreed that during the transition year (1 April 2015 to 1 April 2016), once the EIJB is fully established and ready to have functions delegated to it, the leadership group will stand down in its current form. However, there is not yet clarity around what will replace the leadership group, what the format will be and which stakeholders will be included.</p> <p>The CEC Finance and Resources Committee, NHS Lothian and members of the shadow EIJB have supported and approved an outline structure of a future stakeholder group "in principle" however the detailed structure remains to be agreed.</p>	
<p>Recommendation</p> <p>A clear remit for the stakeholder group to replace the current leadership group and how this will interact with the EIJB should be agreed. This should include the composition of the membership, as well as how the reporting structure will operate.</p>	
<p>Management Response</p> <p>The remit of the current Leadership Group is to establish a fully functioning EIJB in readiness for formal delegation of functions to it. It will not be stood down until this work is completed, which will not be before December 2015. Plans are underway to establish relevant groups to function after 1 April 2016.</p> <p>Management Action</p> <p>The role and membership of the replacement joint stakeholder group will be developed by December 2015. Work has started on this in relation to a 'Risk Sharing' stakeholder arrangement. This timeline fits with that for developing and approving the statutory Strategic Plan which is the pre-requisite for the delegation of functions to the EIJB.</p>	
<p>Responsibility:</p> <p>Chief Executives of City of Edinburgh Council and of NHS Lothian</p>	<p>Target date:</p> <p>31 December 2015</p>

1.2: The Board has clear terms of reference and the decision making processes are clear

High

Observation and Risk

There is no Chief Officer (CO) or Chief Finance Officer (CFO) appointed for the EIJB. The previous Joint Director left the Council/NHS in June 2015. The interim arrangements established involve an NHS lead for integration and the Chief Social Work Officer as the Council's SRO. The split interim arrangement mean that there is no single owner with overarching control and responsibility for the project. The split ownership for the project presents a risk that progress is not being made in an organised manner, with the two bodies not acting in concert to achieve the same aims.

A lack of CO and CFO results in a risk that there is insufficient oversight of the EIJB strategic plan and budget as a whole, which is particularly relevant at the current time given the overspend occurring within CEC H&SC budget. There is also no independent adjudicator in any financial disagreements between the NHS and CEC regarding funding.

The most up to date Strategic Business Case is dated 2 March 2015, and is already obsolete. This brought the project to a set position; however did not provide clarity around the future operations of the EIJB in the period up to 1 April 2016. The Statutory Integration Scheme set out the arrangements that must be put in place prior to delegation of functions.

The EIJB's draft strategic plan has been developed in partnership with a wide range of stakeholders. It was approved by the EIJB for public consultation on 17 July 2015 and this consultation launched on 3 August. The final draft plan, taking account of the consultation will be presented to the EIJB in December for approval and in readiness for 1 April 2016. We would expect the EIJB's CO and CFO to play a significant role in co-ordinating and formalising this process.

Recommendation

A Chief Officer and a Chief Financial Officer should be appointed as soon as possible to ensure that there is clear ownership of the project and the budget for the integrated services.

The relevant remits and documents demonstrating the aims of the EIJB in the coming periods should be written and used during the period to 1 April 2016.

Management Response

A recruitment process for the Chief Officer has started and a recruitment agency appointed. Options for an interim CFO are being considered by the CEC Head of Finance and NHS Lothian Director of Finance.

The split responsibility in the interim arrangements will be managed though the Joint Leadership Group, the associated Chief Officer Group and the Unscheduled Care Group which both interim lead officers will attend.

Strategic Business Cases are, by their very nature, a snap shot in time. The statutory Integration Scheme identified a range of additional arrangements, such as EIJB role, governance, performance and risk arrangements within the EIJB. This was consulted on in February and the final version published following approval by Scottish Government in May.

The statutory Strategic Plan will provide more detail on the strategic direction, blueprint and financial allocations across the delegated functions. This is currently in development in line with statutory requirements (started in December 2014) with the input of the EIJB. A draft was considered by the EIJB at its first meeting.

Implementation plan(s) will be devised to reflect the Strategic Plan which will include resourcing and milestones. Detailed business cases will be required by the EIJB for specific major service re-design proposals to justify any movements of resources across functions.

Management Action

1. Appoint CO and CFO
2. Implement content of Integration Scheme
3. Complete Strategic Plan
4. Develop business cases for implementation of relevant areas of Strategic Plan, including any changes to financial spend
5. Appoint interim CFO

Responsibility:

1. Chief Executives of City of Edinburgh Council, NHS Lothian and Chair of EIJB.
2. Strategic Plan – Strategic Planning Manager
3. Implementation Plan – EIJB Chief Officer
4. Detailed Business Cases – relevant SROs for the service re-design.
5. Head Finance of City of Edinburgh Council and NHS Lothian Director of Finance.

Target date:

1. 31 December 2015
2. 31 December 2015
3. 30 April 2016
4. During 2015/16 as advised by IJB
5. 31 August 15

1.3: The Board is receiving sufficient information to take informed decisions	Low
<p>Observation and Risk</p> <p>There is a set deadline within the Integration Scheme of 1 April 2016 for the EIJB to be fully formed. Although this does not include the strategic plan being implemented, nor the full re-design of service activities, specific items as disclosed within the scheme must be agreed by this date such as an approved Strategic Plan and financial assurance over the scheme.</p> <p>The intention is that by 1 April, there will be a high level plan which will assist in agreeing the detail of how functions will be delegated, and how the Board will operate effectively, with the detail of this being agreed in the period after 1 April 2016. There is therefore a risk that the high level plan will not be in place by 1 April, or there will not be an effective plan due to this set deadline. This could then lead to inefficiencies, budgets to be stretched and staff to be performing work for which there are not yet sufficient resources in place.</p> <p>Management within the Shadow Health and Social Care Partnership (the Shadow EIJB) receive information regarding progress of the project via reports made by the CEC programme team using information from the Work Programme. This demonstrates the key tasks which must be completed, as well as the lead CEC and NHS officer for each and the progress of each against its assigned deadline. This ensures that the decisions which are made are informed. Therefore, the risk identified is not relating to the reliability of the data, but around the requirement for key deadlines to be agreed and met.</p>	
<p>Recommendation</p> <p>The EIJB should agree fixed deadlines for key decisions to be made, and both partners should confirm that an outcome must be agreed by this point, to allow delegation to occur on 1 April 2016.</p> <p>A detailed service redesign implementation plan should be prepared.</p>	
<p>Management Response</p> <p>The Integration Scheme identified all the major matters to be implemented prior to delegation of functions. A joint project plan is in place to deliver these actions. The Strategic Plan is the mechanism by which service redesign can occur.</p> <p>Management Action</p> <p>Monitor and maintain project plan</p> <p>Develop Strategic Plan</p>	

Responsibility:	Target date:
SRO and Programme Manager	Ongoing
SRO and Strategic planning Manager	31 December 2015

Risk Management	
2.1: A risk process has been developed to monitor and assess risk facing the board	Low
<p>There is a risk register in place which is used by the programme management to assess the risks within the project, and to understand which controls are in place to mitigate these risks. The EIJB was established in law on 27 June and therefore a risk appetite for the EIJB has yet to be determined.</p> <p>Deep dive investigations are performed in relation to Health and Social Care Integration and are reported to the shadow board.</p> <p>The risk process is been developed in line with CEC risk management methodology, and through discussion between the programme teams at CEC, the NHS and involving the current shadow board.</p> <p>The first draft of the risk management strategy, including proposals for addressing the risk appetite, for the EIJB will be reported to the first EIJB meeting in July 2015.</p>	
<p>Recommendation</p> <p>The EIJB should continue to develop its risk function as the shape of the strategic plan becomes clearer. The EIJB should also seek to establish its risk appetite to assist the continued development of its risk function.</p>	
<p>Management Response</p> <p>Agree with recommendations</p> <p>Management Action</p> <p>To support the EIJB to develop its Risk Strategy and risk appetite.</p>	
<p>Responsibility:</p> <p>Director of Strategic Planning NHS Lothian</p> <p>Director of Social Care</p>	<p>Target date:</p> <p>1 April 2016</p>

2.2: The risk process is embedded into the day to day activities of the Board	No issues noted
<p>We identified no significant issues in relation to this control objective.</p> <p>The risk process has been developed in line with CEC Risk Management guidance and by staff who have experience in developing risk strategies and documentation.</p> <p>Risk is reported on a regular basis within the updates to the Finance and Resources Committee, as well as the Shadow Health and Social Care Partnership. Any significant matters are reported to CEC as required.</p>	

Project Management	
3.1: The project plan is broken down into appropriate work streams and contains relevant milestones.	Medium
<p>Observation and Risk</p> <p>Although responsible officers have been assigned from both NHS Lothian and CEC for several processes, it is not clear how, in the final EIJB, functions will be split between the two parties. This includes, but is not limited to, how the EIJB will use the skills and resources of both partners effectively, and meet the demands for Health and Social care appropriately.</p> <p>Staff who support the Integration Joint Board are employed by CEC or NHS Lothian independently, and this will continue to be the case following delegation. There is therefore a risk that there will be difficulty in managing resources jointly, for example it may take longer to agree changes in working times or structures, as these will have to go through both bodies. In addition, when forming the board it may take longer to make key decisions as some members of the management structure will not be directly employed by the EIJB, and must contact their home organisation prior to making key decisions.</p> <p>An integrated management structure has not yet been agreed, which may take a significant amount of time to implement once the structure has been agreed.</p> <p>Functions which are not delegated, for example business support roles, will be managed separately by CEC and NHSL. The operation of these functions will need to be agreed by both bodies, and the two must work co-operatively to agree how best to support the IJB. This will be made more difficult by the changes in management as internal secondments finish, and as the new management structure begins, therefore potentially losing continuity between the pre and post delegation management structures. .</p>	
<p>Recommendation</p> <p>NHS Lothian and CEC will need to work together to ensure that the staff being recruited have the right mix of skills and the correct number of people with these skills are being recruited. A formal programme should be set up which assesses the staffing levels and manages them on an EIJB level, rather than separately by the two organisations. This will ensure that the appropriate staff are employed and used in the right places, whilst ensuring that the operations of the two partners as separate entities does not suffer.</p>	
<p>Management Response</p> <p>The Integration Scheme outlines the proposals for determining Business Support Services, including programme/project management. An initial meeting took place with NHS Lothian colleagues in June to consider a joint approach. NHS Lothian Directors of business support functions are to lead on a Lothian approach and to engage with councils.</p> <p>A series of focus groups is planned during summer 2015 with business support colleagues in the Council to discuss options for supporting the EIJB. This work will be undertaken with the</p>	

Project Manager responsible for the Council Business Support Project within the CEC Transformation programme.

Proposals from this will impact on the management structure under the EIJB Chief Officer. This structure is currently in development for the integrated functions.

Service level agreements will be required for any services provided out with this organisational structure

Management Action

1. Undertake Focus groups for EIJB business support services and establish options
2. Implement integrated organisational management structure
3. Establish SLAs for business support outwith organisational management structure

Responsibility:

1. Integration Programme Manager and BSS Project Manager
2. EIJB Chief Officer
3. EIJB Chief Officer

Target date:

1. 30 October 2015(or as defined by Council BSS Programme)
2. 30 April 2016
3. 1 April 2016

3.2: The Board receives regular updates as to progress against the project plan/milestones	No issues noted
<p>We identified no significant issues in relation to this control objective.</p> <p>The Shadow Board and Council's Finance and Resources Committee receive reports from the CEC programme team using information which is filtered from management into the Work Programme. In addition, specific risks as well as any known delays in implementation of the project are discussed and reported. This includes progress against milestones and key project objectives.</p>	

Finance	
4.1: There is clarity over the services which the Board will be responsible for and that the proposed CEC budget transfer is aligned to those services	Medium
<p>Observation and Risk</p> <p>The cost of services and how they will be allocated between CEC and NHS Lothian after the EIJB takes over responsibility for services has not yet been agreed. Therefore, the budget contribution which has been designated for the EIJB by CEC cannot be assessed to understand whether it is aligned to the services for which CEC will be responsible, or whether the funding is in line with what the EIJB considers will be required to provide an appropriate level of service provision.</p> <p>CEC is in the process of putting detailed mapping in place (on the basis of a number of assumptions) as part of the preparation work for the Strategic Commissioning Plan, but this is currently being undertaken in isolation. We note that the Strategic Planning Group does include members from NHS Lothian, however the mapping is being undertaken by CEC.</p> <p>Although the Integration Scheme states that both parties will “work together in the spirit of openness and transparency” in relation to finances, both are experiencing significant financial pressures, adding to the risk of insufficient funds being available for effective operation of the EIJB based on services assessed as being required..</p>	
<p>Recommendation</p> <p>The EIJB needs to complete the Strategic Commissioning Plan and identify the budget they believe is required to fulfil their remit.</p> <p>The alignment of services with this plan should be clearly documented and a responsible party for each service agreed.</p>	
<p>Management Response</p> <p>Agree with recommendations.</p> <p>Management Action</p> <p>KPMG has been commissioned to support H&SC to prepare a transformational programme for adult social care services to address current budget pressures. A due diligence process will also be undertaken for the 2016/17 budget.</p>	
<p>Responsibility:</p> <p>Head of Finance</p>	<p>Target date</p> <p>31 March 2016</p>

Finance	
4.2.1 : The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge	Critical
<p>Observation and Risk</p> <p>The CEC budget has been determined in line with CEC’s normal processes and procedures. This involves consideration of demographic and cost trends, consulting with stakeholders from throughout the business to form the initial budget, escalating it to Committees as appropriate and seeking approval from the Finance and Resources Committee. This budget has been prepared whilst being mindful of other cost pressures within the council.</p> <p>There remain significant pressures on Adult Social Care. The funding gap net of £14m planned saving, is currently predicted to be £6m for 15/16.</p> <p>As the EIJB has not yet been formed, any overspends on service delivery incurred before 1 April 2016 will fall to the party who incurs them. Therefore any overspend for 15/16 will have to be funded by CEC through reducing pressures and delivering mitigating actions as discussed at Committee level.</p> <p>The KPMG report, which provides a financial assessment of Adult Services, has considered these expected savings. Using a risk rating over expected savings, the net funding gap is predicted to be £9.4m – an additional £3.4 million above the gap predicted by the Council. We believe that risk remains in the savings that KPMG expect to be delivered and consider that an inferior outcome on these savings remains possible.</p> <p>The likely overall cost position for 2015/16 remains dynamic and management is continuing to seek additional savings.</p>	
<p>Recommendation</p> <p>Management should continue to monitor the current Adult Health & Social care spend closely, track progress on identified savings, seek further savings and escalate accordingly as the year progresses.</p>	
<p>Management Response</p> <p>Agree with recommendations.</p>	
<p>Management Action</p> <p>Monthly financial monitoring is being undertaken along with trend data on key cost drivers e.g. care at home hours, number of residential places.</p> <p>The Corporate Leadership Group (CLG) is considering activities that can be taken to mitigate the financial impact on the Council of this predicted overspend. These will be considered by</p>	

F&R Committee which will examine how this overspend is being managed.

Responsibility: Head of Finance

Target date: 30 September 2015

Finance	
4.2.2: The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge	Low
<p>Observation and Risk</p> <p>The current level expenditure incurred by CEC to introduce the integration scheme is not transparent. This relates to the costs to establish the EIJB, as well as the full costs of implementing a re-designed service and associated support costs which will be required as implementation occurs. Costs are spread across a number of budget heads within Adult Health and Social Care. Therefore, overruns specifically relating to the costs of integration cannot easily be identified.</p>	
<p>Recommendation</p> <p>Action should be taken to identify the cost of the integration process to date, and how much this varies from the integration budget set aside by CEC. The costs of the integration process should then be monitored going forward.</p>	
<p>Management Response</p> <p>The cost of this transition is within existing budgets and is in the main, being undertaken by existing staff who have been budgeted for within the Health & Social Care budget.</p> <p>A fixed sum has been provided by Scottish Government for transitional costs which is substantially less than that requested. A protocol between the organisations will be put in place for the draw down of agreed expenditure against transition funding provided.</p> <p>As a consequence, management do not consider that it is cost effective to prepare detailed management accounts for this spend as it will have no impact on the level of funds received from the Scottish government.</p> <p>Management Action</p> <p>Establish protocol for draw down of transition funding.</p>	
<p>Responsibility:</p> <p>Head of Finance</p>	<p>Target date:</p> <p>31 December 2015</p>

<p>4.3: The mechanisms for addressing any overspend by the Board are understood.</p>	<p>High</p>
<p>Observation and Risk</p> <p>The process for addressing and reducing any overspend is as follows:</p> <ul style="list-style-type: none"> - The Chief Officer of the EIJB has to take action to prevent the overspend or minimise its effects - Failing this, the Chief Financial Officer develops a recovery plan involving generating savings and moving resources. This plan is then presented to the EIJB for approval. - If this does not reduce the overspend, then the two contributing parties (CEC and NHS Lothian) can be asked to provide further funding to the EIJB, either as a one-off payment or as a loan. <p>Therefore, a reduction in overspend relies upon savings being agreed between the EIJB, NHS and CEC. If this fails, then the EIJB may request that CEC and the NHS provide more funding.</p> <p>Due to the cost pressures facing all public sector bodies, and known difficulties in budgeting in Adult Health and Social care, there is a strong possibility that the EIJB will seek additional funding from CEC. It is not clear what the process is if this occurs, and what CEC's ultimate responsibilities are regarding any additional funding requests.</p>	
<p>Recommendation</p> <p>It should be clarified and agreed exactly how any overspend will be managed, what the mechanism is for the EIJB to seek additional funding, and what CEC's responsibility is in this circumstance.</p>	
<p>Management Response</p> <p>Accepted that further clarification on this issue is required, however, the key task is to develop robust budgets for 2016/17.</p> <p>Management Action</p> <p>Further due diligence will be undertaken as part of the 2016/17 budget process which will assist in discussion re responsibility of overspends between parties.</p>	
<p>Responsibility:</p> <p>EIJB Chief Officer</p>	<p>Target date:</p> <p>28 February 2016</p>

Appendix 1 – Basis of our classifications

Management Action Ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; <i>or</i> • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; <i>or</i> • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2 – Terms of Reference

Integration of Health & Social Care

Terms of Reference – Budgeting process

To: Hugh Dunn
Head of Finance

From: Magnus Aitken
Chief Internal Auditor

Date: 8 June 2015

Cc:

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2015.

Background

The Public Bodies (Joint Working) Scotland Act 2014 aims to provide bettered connected and co-ordinated services for adults through the integration of health and social care services currently provided by local authorities and health boards.

The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integrated Board to over-see adult care provision. A shadow board has been created with a go live date for the Integrated Board by 1 April 2016.

The creation of the Integrated Board will result in the share of responsibility for the operational provision of a number of services between CEC, NHSL and the Integrated Board.

Scope

The scope of this review will be to assess the development of Governance, Risk Management, and Project Management for the Integrated Board and consider the approach used to allocate finances from the Council to the Integrated Board. The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
Governance	1.1 An Integrated Board is in place and attended by all relevant stakeholders; 1.2 The Board has clear terms of reference and the decision making processes are clear; and 1.3 The Board is receiving sufficient information to take informed decisions.
Risk management	2.1 A risk process has been developed to monitor and assess risk facing the Board; and

	2.2 The risk process is embedded into the day to day activities of the Board
Project management	3.1 The project plan is broken down into appropriate work streams and contains relevant milestones; and 3.2 The Board receives regular updates as to progress against the project plan/milestones.
Finance	4.1 There is clarity over the services which will the Board will be responsible for and that the proposed CEC budget transfer us aligned to those services; 4.2 The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge; and 4.3 The mechanisms for addressing any overspend by the Board are understood.

Approach & limitations of scope

Our audit approach will be as follows:

- Obtain an understanding of the processes and control in place through discussions with key personnel, review of systems documentation and walkthrough tests; and
- Evaluate the design and maturity of the controls & processes in place.

We have set out in Appendix 1 the checklist we intend to use to establish the maturity of the processes and controls in place during the review process.

We are aware of the KPMG review of the CEC Adult Social Care budgets for 2014/15 and 2015/16. As part of this review KPMG are considering the deliverability of the 2015/16 Adult Social Care budget and the feasibility of the planned savings. To avoid an overlap with this review, we will not consider these areas.

NHS Lothian

The Internal Audit Function of NHSL are conducting a similar review with a similar scope. CEC Internal Audit will co-operate with NHSL IA to attempt to ensure that the scopes of the two reviews align. It is anticipated that the results of the NHSL IA review will be made available to the shadow board members in due course.

Internal Audit Team

Name	Role	Contact Details
Magnus Aitken	Chief Internal Auditor	0131 469 3143
Kit Millar	Auditor	07711 562 347

Key Contacts

Name	Title	Role	Contact Details
Hugh Dunn	Head of Finance	Review Sponsor	0131 4693150
Susanne Harrison	Integration Programme Manager	Key contact	0131 469 3982
Karen Dallas	Principal Accountant – Health & Social Care	Key contact	0131 529 7937

Appendix 1:

Governance	
1.	Is there a Project Board or similar senior decision making body, attended by all relevant stakeholders, in place and maintaining a high level monitoring role over the project and ensuring that decisions made regarding the project are adequately considered?
2.	Are roles and responsibilities clearly articulated and understood including: <ul style="list-style-type: none"> • terms of reference, role descriptions and delegated authorities? • clear identification of the management structure and decision making process within the project, including who is acting as project manager? • a process for the escalation of issues to the appropriate forum, where decisions will be made on the action (s) required to address them?
3.	Is the Project Board receiving regular information/evidence that the project and key actions are 'under control' and risks are being managed in terms of delivery on time, within budget and the expected outcomes originally intended?
4.	Is there a realistic and sufficiently detailed project plan to ensure that tasks, relevant officers' responsibilities and timescales for actions and decision making points are clear and subject to regular review/monitoring?
5.	Are there clear governance arrangements in place to ensure that when project issue cross organisational boundaries there are arrangements in place to ensure sustainable alignment with the corporate objectives and management arrangements of all organisations involved?
6.	Is there a requirement for on-going independent review and challenge of the project, to provide assurance that the project continues to be effective and if so, have any such arrangements been defined and approved?
Risk Management	
7.	Has a risk register been developed, which assesses the likelihood and impact and the resultant relative importance of individual risks, and are the results used to inform the management of project risks and reported to the Project Board?
8.	Are the project's risk processes consistent with, and informed by, CEC's and NHSL's risk management frameworks?
9.	Is the project's risk management framework embedded within the day-to-day project processes, such as constraints, assumptions, risks, dependencies?
10.	Has the Project Board established tolerances for cost, time and quality for the project and put in place agreed clear escalation levels should the level of risk be outside agreed limits?
Project Management	
11.	Is there a project plan broken down into manageable work streams and relevant project milestones which are meaningful to the Project Board to allow accurate and frequent tracking of progress on the project and maximise visibility of critical path activities and any inter-dependencies?

12.	Does the Project Board regularly receive an analysis of progress against plan/key milestones and/or the effects of any slippage in time, cost, scope or quality?
13.	Has the Project Team developed a resource plan for the duration of the project, in order to inform the Project Board on future and on-going resource requirements?
14.	Does the Project Team have sufficient allocated resources and the necessary skills and/or access to relevant specialist expertise to achieve the project objectives successfully?
15.	Is there regular reporting of performance, against pre-defined criteria on cost, time and quality and project milestones to the Project Board and to other key stakeholders (e.g. CEC and NHSL) which clearly highlights the key issues affecting the project at the time of reporting?
Finance	
16	The allocation of services to The Project Board is clear and the proposed budget allocation made by CEC accurately reflects the budgets for the services that the Project Board will administer.
17	The CEC budgets for Adult Social Care incorporate the input of operational staff, follow the CEC standard methodology and are subject to a robust review process.
18	Significant assumptions within the CEC budgets for Adult Social Care (including allowances for demographic change) and deviations from previous experience should be identifiable and understood.
19	The mechanisms for addressing and allocating any over spend by the Integrated Board are understood.
20	There are sufficient monitoring processes in place to ensure that any potential overspend by the Integrated Board which would have an impact on CEC is detected timeously.

Finance and Resources Committee

10am, Thursday, 24 September 2015

Health and Social Care 2015/16 Revenue Budget – Action Plan Update

Item number	7.16
Report number	
Executive/routine	
Wards	All

Executive summary

The report sets out the projected month four revenue monitoring position for Health and Social Care.

The full-year outturn forecast continues to indicate the significant demand-led pressures within Health and Social Care, which currently shows an overall overspend of £10.8m after implementation of mitigating management actions identified to date. This is an improvement of £0.4m on the position reported to Committee in August.

As previously reported, the Corporate Leadership Group has agreed to identify £9.8m of one-off funding across other services and corporate budgets to assist Health and Social Care; subject to Council approval, this brings the forecast overspend down to £1.0m.

Work continues to implement the Budget Action Plan to deliver a balanced budget by the year end, and the transformation work streams required to deliver financial sustainability in future years.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO1

Report

Health and Social Care 2015/16 Revenue Budget – Action Plan Update

Recommendations

- 1.1 To note the 2015/16 budget position for Health and Social Care as set out in this report, which shows a reduction in the projected overspend from £1.4m at month three to £1.0m at month 4, after mitigation actions.
- 1.2 To note the updated Health and Social Care Action Plan, detailed at Appendix 1, describing actions taken and in hand.
- 1.3 To note that the Budget Action Plan sits within a wider strategic work/transformation programme in Health and Social Care intended to underpin financial sustainability going forward.
- 1.4 To agree to refer this report to the Health, Social Care and Housing Committee for information.

Background

- 2.1 Members will be aware from previous reports that the Council's Health and Social Care Budget faces acute demand-led pressures. The report on 4 June 2015 explained the main causes.

Main report

- 3.1 This report:
- presents the financial position at period four;
 - updates the Budget Action Plan to reduce the budget pressures over the course of 2015/16; and
 - updates Members on work underway to support and deliver the Health and Social Care Transformational Change Programme in order to achieve budget sustainability going forward.

2015/16 Financial Position (at period four)

- 3.2 The 2015/16 Health and Social Care Budget includes savings of £7.5 million. Most of these (£6.1m) have been delivered or are on track (with a "RAG (red/amber/green) status" assessed by Finance at "green"). Those at "red" (£0.7m) are staffing savings in the process of being delivered, but with a part-year effect.
- 3.3 Budget pressures¹ of £16.2 million were reported to Committee on 27 August. These have increased slightly to **£16.3 million**. The total pressures include: £11.7m in Third Party Payments (care at home, residential and nursing, day care and direct payments); £1.7m in supplies and services; £1.6m in staff costs (care homes and home care); the income shortfall of £0.8m from being unable to charge for respite care; and projected overspends on transport of £0.3m; and on premises costs of £0.2m.

Budget Action plan

- 3.3 The Budget Action Plan is at **Appendix 1**. It contains actions intended to deliver expenditure reductions of £10.8m during 2015/16.
- £5.5m has been assessed as "green": they either have already been delivered or are funding streams expected to be received shortly. This category has increased from the £5.0m reported to Committee on 24 August in line with progress in delivery.

¹ Note: "Budget pressures" are unfunded service commitments. Pressures of £16 million mean that, if no action was taken, the 2015/16 Health and Social Care Budget would be overspent by this amount by the end of the financial year on 31 March 2016.

- £1.6m has been assessed as “amber”: implementation is at an early stage and the evidence is not yet sufficient to predict the delivery of the full saving.
 - £3.6m has been assessed at “red” (down from £4.4m reported in August): there is significant risk that the savings may not be delivered – this includes the reviews of packages of care and the impact of revised practitioner guidance.
- 3.4 Total savings at “green” already delivered or on track therefore amount to £11.6m (£6.1m delivered as part of the agreed budget savings, mentioned in paragraph 3.2 above, and the £5.5m in actions to mitigate pressures). Significant savings include:
- the re-provisioning of Silverlea Care Home, with all eleven remaining residents successfully placed in other care homes
 - closure of 22 step-down beds at Silverlea and the reduction of step-down beds with Care UK
 - re-provisioning two day centres for older people, in premises no longer fit for purpose, achieving savings whilst improving the quality of service overall
 - changes to shift rotas in care homes reducing the staffing budget overspend needed to meet the higher needs of residents, and reducing the need for agency staff and overtime (costs which have fallen by 15% and 12% respectively compared to 2014/15)
 - reduction in staff numbers through voluntary redundancy, voluntary early retirement, and natural turnover, and the introduction of further controls over staff recruitment
 - ongoing efficiency savings in procurement spend on purchased care services.
- 3.5 Taking the £5.5m of “green” mitigations from the pressures of £16.3m leaves a **balance of £10.8m to find**. As previously reported, the Corporate Leadership Group agreed in June to identify £5m of one-off funding across other service areas and corporate budgets to offset an element of the residual pressure within Health and Social Care. In acknowledging the scale of the financial challenges facing the service and the corresponding need for mitigating measures to be embedded over the medium-term, directors were subsequently requested to identify a further £4.8m of savings capable of delivery in the current year. Subject to Council approval, these budget transfers leave a **further £1.0m to be delivered** by Health and Social Care in 2015/16.
- 3.6 The one-off funding will allow time for the implementation and phased delivery of the short- and medium-term transformation work streams, which KPMG were supporting Health and Social Care to take forward. These are discussed below.

Health and Social Care Transformational Change

- 3.7 Health and Social Care’s Transformational Change programme was summarised in the report to Committee on 4 June, including:

- developing a new contract with citizens and communities
 - further development of the prevention strategy; enhancing the role of Social Care Direct
 - development of the whole system approach to strategic planning to support health and social care integration
 - enhancing telecare and assistive technology; unblocking and development of reablement
 - “outcomes based” commissioning; and
 - longer term work on alternative delivery models, such as employee co-operatives and arms-length companies.
- 3.8 Health and Social Care staff were assisted by KPMG to develop business cases to support the development of this extensive programme. A range of detailed business cases have been developed, including the following key priorities:
- further devolution of care purchasing budgets to bring them closer to assessment and care planning decisions to improve budget grip and prioritisation
 - solutions to unblock reablement and target resources on reabling people with packages of care who had bypassed the reablement service; and
 - further enhancement of Social Care Direct to manage more demand at the “front door” through improved advice, information, and signposting to other sources of help.
- 3.9 KPMG’s work support is now at an end and corporate assistance is being identified to help Health and Social Care resource the Transformational Change programme, which is essential to the medium and long-term sustainability of social care services in Edinburgh.

Measures of success

- 4.1 Full delivery of approved budget savings, and significant reduction of unfunded budget pressures, to achieve an overall balanced position for 2015/16.
- 4.2 Ongoing implementation of the Health and Social Care Transformational Change programme.

Financial impact

- 5.1 Covered in the main report.

Risk, policy, compliance and governance impact

- 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 procurement savings targets are regularly monitored and reviewed, and management action is taken as appropriate.
- 6.2 There is a risk that the 2015/16 budgeted savings and mitigating actions will not be delivered in full.
- 6.3 The risk reported to Committee in August, that there might be a shortfall in the income expected from NHS Lothian due to its own demand pressures, has now been reduced significantly following receipt of a letter confirming NHS Lothian's funding.

Equalities impact

- 7.1 Measures to reduce budget overspends are likely to increase waiting lists for services for older people and people with disabilities, and will also increase the number of people whose discharge from hospital is delayed.

Sustainability impact

- 8.1 There is no direct sustainability impact arising from this report.

Consultation and engagement

- 9.1 Consultation on the 2015/16 budget was undertaken as part of the budget process.

Background reading/external references

[Finance and Resources Committee, 4 June 2015: Health and Social Care 2015/16 Budget Action Plan, report by the Director of Health and Social Care](#)

[Finance and Resources Committee, 27 August 2015: Health and Social Care 2015/16 Budget Action Plan, report by the Chief Social Work Officer](#)

Michelle Miller

Chief Social Work Officer

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning.
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives.
Single Outcome Agreement	SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all.
Appendices	1. 2015/16 Budget Action Plan: Mitigating Actions

2015/16 BUDGET ACTION PLAN: MITIGATING ACTIONS

Ref	Mitigating Action	£'000	RAG	Details
1	Use remaining unallocated demography monies	-1,330	Green	Demography monies for older people (£470k), learning disabilities (£400k), and mental health problems and assessment (£460k) have been used for existing unfunded care at home packages, not new demand in year: increase in waiting lists
2	Additional Housing Revenue Account (HRA) contribution to telecare	-200	Green	Agreed increase in Housing Revenue Account's contribution to TeleCare.
3	Use unallocated Integrated Care Fund monies	-300	Green	Agreement reached in June with NHS and Third Sector partnership
4	Do not fill Home Care and Reablement vacancies as they arise in year	-1,055	Green	Impact of cessation of temporary NHS/SG funding for additional Reablement staff in 2014/15. Loss of 1,100 hours of Home Care & Reablement service by end of year: negative impacts on delayed discharge and waiting lists.
5	Cease purchasing 20 Step Down Beds via natural turnover	-720	Green	Transfer funding for 20 purchased step down beds (as people are discharged) to reduce care at home budget pressures. Agreed by Integrated Care Fund Core Group, 16/6/15. Assumes phased bed reduction completed by November: 13 achieved to date.
6	Constrain new purchased Residential/ Nursing Home places to available budget	-800	Amber	Full year effect of 2014/15 overspend reduces budget available for new care home placements – some impact likely on delayed discharges
7	CEC share (8%) of £10m Scottish Government funding for National Care Home Contract fees increase	-801	Green	Scottish Government is paying funding to councils via Health Boards. Sum confirmed: awaiting payment.
8	Integration Transition Funding	-160	Amber	Share of one-off Scottish Government funding for Health and Social Care implementation planning
9	Procurement saving - Additional Monies from Intensive Housing Benefit	-400	Green	Saving from reducing purchased care for amount of IHB that can be claimed to fund certain services is larger than estimate already included in 2015/16 savings
10	Additional procurement savings	-150	Green	Contract management savings
11	Reprovisioning of Silverlea Care home	-420	Green	Reprovision 11 remaining long-stay beds. Relocate residents to vacancies in CEC Care Homes as they arise, and staff redeployed. Saving assumes completed by August: on track.
12	Cease Carers payment	-200	Green	One-off payments have been made for the past two years to carers to assist them with their mental health and well-being and to support them in a caring role.
13	Further procurement savings	-352	Amber	Contract management savings

Ref	Mitigating Action	£'000	RAG	Details
14	Equivalency model for supporting people at home	-250	Amber	New policy proposal that care at home packages would usually not exceed equivalent cost of residential care. (Based on practice in many English LAs and in at least one Scottish council). Savings estimate is for 6 months only - to be clarified following further implementation planning currently underway. The HSCH Committee will be asked to make a decision in late 2015.
15	Revised practitioner guidance for new cases and reviews	-1,450	Red	Revised practitioner guidance intended to reinforce current eligibility criteria and reduce the cost of care packages has been issued, and further revised following workshops with managers and staff.
16	Review packages of care	-2,000	Red	Four sector review teams have been established to review cases including Direct Payments, day care, and mid/high-cost care at home packages, using revised practitioner guidance - commencing last week of May. (This saving, and the one above, also require some recalibration of the Financial Allocation System which derives indicative budgets from the assessment information to assist personalised care planning. This work is in two phases, one completed, the second underway).
17	Respite Policy - reduce annual maximum respite from 42 days to 35 days	-200	Red	Any carer assessed as requiring more respite care than 35 days in a year will require this package to be approved by a senior manager.
	TOTAL	-10,788		

Red	3,650
Amber	1,562
Green	5,576
	10,788

Finance and Resources Committee

10.00 am, Thursday 24 September 2015

Review of Tenant Participation Services Procurement Options – referral from the Health, Social Care and Housing Committee

Item number	7.17
Report number	
Wards	All

Executive summary

The Health, Social Care and Housing Committee on 8 September 2015 considered a report from the Acting Director of Services for Communities advising that a proposed future approach to the provision of tenant participation related services.

Links

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

Terms of Referral

Review of Tenant Participation Services Procurement Options

Terms of referral

- 1.1 The Housing (Scotland) Act 2001 places statutory duties on landlords to promote tenant participation. Landlords are required to consult tenants and Registered Tenants Organisations (RTOs) on proposals that affect them and take account of their views.
- 1.2 In considering the procurement options for tenant participation services, a range of activity was carried out including desktop research, discussions with experienced tenant participation practitioners, engagement with Tenants' Panel members and tenant representatives, and discussions with Council procurement officers.
- 1.3 Different options were also explored with tenants through focus groups with RTO representatives and Tenants' Panel members. There was no shared view on a preferred delivery model but the discussions highlighted some common themes that participants believed should underpin any future model. These were:
 - A good working knowledge of how Edinburgh tenants want to be supported.
 - Industrious, effective and efficient.
 - Accessible with an excellent understanding of how tenants can influence decisions successfully.
 - Able to support individual tenants as well as groups; and
 - Accountable to tenants.

There was a strongly shared view that tenants should be involved in determining the future approach to this work.

- 1.4 The procurement options available are to:
 - Maintain current arrangements.
 - Provide tenant participation services in-house.
 - Tender tenant participation services.
 - Co-produce the services working with existing providers; and
 - Co-produce the services working with existing and possible new providers.

- 1.5 Procurement options have been discussed with ETF. It would prefer to maintain current arrangements, notwithstanding the need for ongoing service improvement. However ETF supports the principle of co-production to achieve better outcomes and would like time to explore these options in more detail.
- 1.6 Based on the consultation feedback and the Council's commitment to co-producing services, it was recommended that the Health, Social Care and Housing Committee agrees further discussion on the co-production options involving ETF, the NA and other interested parties. Following this, a further report on the proposed future approach, informed by these discussions, will be provided to the Health, Social Care and Housing Committee on 26 January 2016.
- 1.7 The Committee heard a deputation from the Edinburgh Tenants' Federation in respect of the proposals.
- 1.8 The Health, Social Care and Housing Committee agreed a motion by Councillor Ricky Henderson, after the following division:-

Motion

1. To further discussion on the co-production options involving Edinburgh Tenants' Federation (ETF), the Neighbourhood Alliance (NA) and other interested parties.
 2. That a further report on the proposed future approach, informed by these discussions, will be provided to the Health, Social Care and Housing Committee on 26 January 2016.
 3. To refer this report to the Finance and Resources Committee to note the approach to commissioning and to request that the ETF and NA service level agreements are extended for a period of up to 12 months, from 1 April 2016, to allow this process to be completed.
- Moved by Councillor Ricky Henderson, seconded by Councillor Work.

Amendment

1. To further discussion on the co-production options involving Edinburgh Tenants' Federation (ETF), the Neighbourhood Alliance (NA) and other interested parties.
2. That a further report on the proposed future approach, informed by these discussions, will be provided to the Health, Social Care and Housing Committee on 26 January 2016.
3. To refer this report to the Finance and Resources Committee to note the approach to commissioning and to request that the ETF and NA service level agreements are extended for a period of up to 12 months, from 1 April 2016, to allow this process to be completed.
4. To note that Neighbourhood Alliance (NA) covers the East Neighbourhood area (ward 17) which according to Edinburgh's Annual Return to the Housing

Regulator and the 2011 Census accounts for less than 9% of Edinburgh's total Council housing stock, while Edinburgh Tenants Federation (ETF) provides support in the other 16 multi-member wards and therefore:

5. Given that the two organisations (ETF and NA) are providing the same service in different parts of the City from two separate offices and with two administration teams, to request information on whether there are any economies of scale in having one organisation provide the whole service city-wide.
 6. To seek clarity on current funding arrangements and specifically whether ETF are effectively currently being paid £13.29 per house and CNA £37.63 per house.
 7. To agree that in the future, report evidence will be provided of best value being sought.
- Moved by Councillor Rust, seconded by Councillor Aitken

Voting

For the motion - 11

For the amendment - 4

Decision

To approve the motion by Councillor Ricky Henderson.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked to note the approach to commissioning and agree that the ETF and NA service level agreements are extended for a period of up to 12 months, from 1 April 2016, to allow this process to be completed.

Background reading / external references

Health, Social Care and Housing Committee 8 September 2015.

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Blair Ritchie, Assistant Committee Clerk

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Links

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

Health, Social Care and Housing

10.00am, Tuesday, 8 September 2015

Review of Tenant Participation Services Procurement Options

Item number	7.5
Report number	
Executive/routine	Executive
Wards	All

Executive summary

This report seeks to discharge the commitments made when the Health, Social Care and Housing Committee approved the new Tenant Participation Strategy, at its meeting on 21 April 2015. The Strategy informs tenant participation priorities and seeks to deliver four key outcomes to ensure that tenants:

- know the different ways they can become involved;
- can take part and influence decisions if they want to;
- have the support and resources they need to take part; and
- can help to develop quality services.

The report advised that a proposed future approach to providing support for tenant participation would be reported to the Health, Social Care and Housing Committee in autumn 2015, and that the future approach to provision of tenant participation related services would be reported to the Finance and Resources Committee. This is to ensure that tenant participation services, supporting the implementation of the Tenant Participation Strategy, are efficient, effective and provide value for money.

Links

Coalition pledges	P8
Council outcomes	C16 and C23
Single Outcome Agreement	SO4

Review of Tenant Participation Services Procurement Options

Recommendations

It is recommended that the Health, Social Care and Housing Committee:

- 1.1 Agrees to further discussion on the co-production options involving Edinburgh Tenants' Federation (ETF), the Neighbourhood Alliance (NA) and other interested parties.
- 1.2 Agrees that a further report on the proposed future approach, informed by these discussions, will be provided to the Health, Social Care and Housing Committee on 26 January 2016.
- 1.3 Refers this report to the Finance and Resources Committee to note the approach to commissioning and to request that the ETF and NA service level agreements are extended for a period of up to 12 months, from 1 April 2016, to allow this process to be completed.

Background

- 2.1 The Housing (Scotland) Act 2001 places statutory duties on landlords to promote tenant participation. Landlords are required to consult tenants and Registered Tenants Organisations (RTOs) on proposals that affect them and take account of their views.
- 2.2 The Scottish Social Housing Charter requires landlords to ensure that tenants and customers find it easy to participate in and influence their landlord's decision making processes at every level. The Scottish Housing Regulator is responsible for ensuring that landlords meet the requirements of the Charter.
- 2.3 Tenant satisfaction with Council housing services is high compared to other social landlords but tenant satisfaction with opportunities to participate is lower than average. Each year the Council spends £47 per tenant on tenant participation compared to other landlords whose average spend is £36 per tenant (HouseMark 2012/13 benchmarking figures).
- 2.4 ETF has been Housing Revenue Account (HRA) funded since 1990 and provides (1) a representative role and (2) a service delivery role to support the Council meet its statutory tenant participation responsibilities. On 3 February

2015, the Finance and Resources Committee agreed to extend a Service Level Agreement (SLA) with ETF until 31 March 2016.

- 2.5 The NA has been HRA funded since 2000. The NA supports tenant participation and wider community engagement in East Edinburgh. On 16 June 2015, the Health, Social Care and Housing Committee agreed to extend the SLA with the NA until 31 March 2016.
- 2.6 Both of these services were continued to allow for tenant participation service requirements and procurement options to be reviewed following approval of the new Tenant Participation Strategy.
- 2.7 On 21 April 2015, the Health, Social Care and Housing Committee approved the new Tenant Participation Strategy and agreed that a proposed future approach to providing support for tenant participation should be the subject of a report in autumn 2015 which would be referred to the Finance and Resources Committee. It was agreed that a range of procurement options should be explored to ensure that tenant participation services are efficient, effective and provide value for money.

Main report

- 3.1 In considering the procurement options for tenant participation services, a range of activity was carried out including desktop research, discussions with experienced tenant participation practitioners, engagement with Tenants' Panel members and tenant representatives, and discussions with Council procurement officers.
- 3.2 A variety of models are used by local authorities across Scotland to support tenants to have their say on housing services including:
 - contracting independent tenant support organisations to provide ongoing support to tenants and tenants' groups (East Lothian and Stirling);
 - in-house support from Council staff (Aberdeen);
 - council staff seconded to tenant managed organisations (Dundee); and
 - buying in independent advice or training support as required (Perth and Kinross).
- 3.3 Satisfaction with opportunities to participate in these areas varies. Aberdeen is the highest with 80% and Dundee lowest with 52%. In East Lothian the figure is 77%, in Stirling 75% and in Perth and Kinross 62%. These compare with an Edinburgh figure of 66%.
- 3.4 These models informed a discussion on various options with experienced practitioners from two national tenant participation support organisations and ETF on 22 June 2015. A common view was that the different options can all work well provided key underlying principles are met; essentially that tenant participation services are provided with tenant interests to the fore. There was a

strongly shared view that tenants should be widely consulted on any new model and that tenant support for, and understanding of, new approaches being considered is essential.

3.5 Different options were also explored with tenants through focus groups with RTO representatives and Tenants' Panel members. There was no shared view on a preferred delivery model but the discussions highlighted some common themes that participants believed should underpin any future model. These were:

- A good working knowledge of how Edinburgh tenants want to be supported;
- Industrious, effective and efficient;
- Accessible with an excellent understanding of how tenants can influence decisions successfully;
- Able to support individual tenants as well as groups; and
- Accountable to tenants.

There was a strongly shared view that tenants should be involved in determining the future approach to this work.

3.6 The procurement options available are to:

- maintain current arrangements;
- provide tenant participation services in-house;
- tender tenant participation services;
- co-produce the services working with existing providers; and
- co-produce the services working with existing and possible new providers.

3.7 Procurement options have been discussed with ETF. It would prefer to maintain current arrangements, notwithstanding the need for ongoing service improvement. However ETF supports the principle of co-production to achieve better outcomes and would like time to explore these options in more detail.

3.8 On 16 June 2015, the Health, Social Care and Housing Committee noted that discussions have taken place with the NA's Manager on the likelihood of a future procurement approach for services of this nature. The NA believes that it remains in a very strong position to continue providing support for residents and community groups in the East Neighbourhood, that it has a long track record of success, and that it would intend to tender for future contract opportunities.

3.9 Based on the consultation feedback and the Council's commitment to co-producing services, it is recommended that the Health, Social Care and Housing Committee agrees further discussion on the co-production options involving ETF, the NA and other interested parties. Following this, a further report on the proposed future approach, informed by these discussions, will be provided to the Health, Social Care and Housing Committee on 26 January 2016.

Measures of success

- 4.1 Increased tenant satisfaction with opportunities to participate. In 2013, the Tenants' Survey found 66% of tenants were satisfied. The Scottish national average is 78%.

Financial impact

- 5.1 The ETF and NA SLAs 2015/16 will cost £241,083 and £67,200 respectively (HRA). The costs of any longer term arrangements have still to be determined.

Risk, policy, compliance and governance impact

- 6.1 The Council must ensure that any future arrangements are compliant with procurement requirements.
- 6.2 There is some risk of challenge from organisations providing tenant participation services should a decision be taken to maintain the current arrangements.
- 6.3 ETF and the NA are long established in the city and there may be some tenant concern about change. This would be mitigated by ensuring that tenants are at the heart of designing the future delivery model.
- 6.4 The Council's Contract Standing Orders (CSOs) state that, for services in excess of £25,000, a public advertisement followed by an invitation to tender should be carried out before the award of contract. Under Paragraph 9, the CSOs can be waived if justified as a legislative exemption or in the Council's best interests. It is considered that, in this circumstance, a waiver is justified in the Council's best interests to allow for co-production of services and further development of future strategy.

Equalities impact

- 7.1 This work is included in the Tenant Participation Strategy Equalities & Human Rights Impact Assessment. The Tenant Participation Strategy includes actions to remove barriers to participation and enhance people's ability to influence decision making. Any organisation providing tenant participation services to tenants in Edinburgh would be required to demonstrate a commitment to supporting the involvement of the diverse range of tenants living in Council homes and have a robust equality and diversity policy in place.

Sustainability impact

- 8.1 There are no adverse environmental implications arising from this report. The Tenant Participation Strategy contributes positively to green initiatives citywide, for example, energy efficiency information events.

Consultation and engagement

9.1 This report has been informed by three meetings with ETF, two focus groups – one for Tenants’ Panel members (attended by six members) and one for RTO representatives (attended by six RTOs), and a practitioners meeting (attended by two national tenant support organisations and ETF). In addition there have been early discussions with the NA manager.

Background reading/external references

[City of Edinburgh Council Tenant Participation Strategy 2015-2018](#)

<http://housingcharter.scotland.gov.uk/>

www.scottishhousingregulator.gov.uk

<http://www.edinburgh.gov.uk/tenantpanel>

John Bury

Acting Director of Services for Communities

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Links

Coalition pledges	P8 - Make the sure the city’s people are well housed
Council outcomes	CO16 - Well housed – people live in a good quality home that is affordable and meets their needs in a well managed neighbourhood CO23 - Well engaged and well informed – communities and individuals are empowered and supported to improve local outcomes and foster a sense of community
Single Outcome Agreement	SO3 - Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	

Finance and Resources Committee

10.00 am, Thursday 24 September 2015

Mental Health and Wellbeing Consultation Feedback and Proposed Commissioning Plan 2016-2017– referral from the Health, Social Care and Housing Committee

Item number	7.18
Report number	
Wards	All

Executive summary

The Health, Social Care and Housing Committee on 8 September 2015 considered a report from the Chief Social Work Officer presenting the Mental Health and Wellbeing Consultation feedback. The report describes how the consultation exercise will influence a collaborative approach to commissioning mental health and wellbeing services in conjunction with NHS Lothian and other key stakeholders. The plan augments the recommendations that were made to the Finance and Resources Committee on 13 May 2015 in the report “Award and Extension of Health and Social Care Contracts”.

The report has been referred to Finance and Resources Committee for approval for the extension of contracts for mental health and wellbeing services to 30 September 2016.

Links

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

Terms of Referral

Mental Health and Wellbeing Consultation Feedback and Proposed Commissioning Plan 2016-2017

Terms of referral

- 1.1 The Council and NHS Lothian commission a number of different types of mental health and wellbeing services, which respond to differing levels of need. The services break down into two main types: preventative services; and care and support.
- 1.2 In 2011, the Council endorsed 'A Sense of Belonging', the joint strategy for improving the mental health and wellbeing of Lothian's population for the period 2011 to 2016. In 2012, the Council approved contracts to providers of mental health and wellbeing services in support of this strategy, initially for a period of three years.
- 1.3 Legislation mandating the integration of health and social care required that the future provision of mental health and wellbeing services was addressed by the new Integration Joint Board in its strategic plan for the 2016-2019. Work on the draft of this plan has begun. Pending the outcome of public consultation on the plan and publication of the final version later this year, the Council has agreed the extension of the contracts for currently commissioned mental health and wellbeing preventative services to 31 March 2016. It is recommended that a further six month extension of contracts be granted to support the redesign and procurement exercise that will be required.
- 1.4 Relative to the current contracts, the value of the extended contracts has been reduced by 5%, delivering a saving to the Council of £85,726. Further reductions may be necessary.
- 1.5 The Health, Social Care and Housing Committee agreed to:
 - 1.5.1 Approve the proposals to use the consultation feedback as a basis to develop a joint Commissioning Plan for mental health and wellbeing services from 2016-17.
 - 1.5.2 Refer the report to the Finance and Resources Committee to seek approval for the extension of contracts for mental health and wellbeing services to 30 September 2016.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked to approve the extension of contracts for mental health and wellbeing services to 30 September 2016.

Background reading / external references

Health, Social Care and Housing Committee 8 September 2015.

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Blair Ritchie, Assistant Committee Clerk

E-mail: blair.ritchie@edinburgh.gov.uk | Tel: 0131 529 4085

Links

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

Health, Social Care and Housing Committee

10.00, Tuesday, 8 September 2015

Mental Health and Wellbeing Consultation Feedback and Proposed Commissioning Plan 2016-2017

Item number	7.1
Report number	
Executive/routine	
Wards	All

Executive summary

This report presents the Mental Health and Wellbeing Consultation feedback. A full analysis of the feedback is contained in the appended document. The report describes how the consultation exercise will influence a collaborative approach to commissioning mental health and wellbeing services in conjunction with NHS Lothian and other key stakeholders. The plan augments the recommendations that were made to the Finance and Resources Committee on 13 May in the report “Award and Extension of Health and Social Care Contracts”.

Coalition pledges	P30 , P43
Council outcomes	CO10 , CO11 , CO12 , CO13 , CO14 , CO16 ,
Single Outcome Agreement	SO1 , SO2

Mental Health and Wellbeing Consultation Feedback and Proposed Commissioning Plan 2016-2017

Recommendations

- 1.1 The Committee is asked to approve the proposals to use the consultation feedback as a basis to develop a joint Commissioning Plan for mental health and wellbeing services from 2016-17.
- 1.2 The Committee is asked to refer this report to the Finance and Resources Committee to seek approval for the extension of contracts for mental health and wellbeing services to 30 September 2016.

Background

- 2.1 The Council and NHS Lothian commission a number of different types of mental health and wellbeing services, which respond to differing levels of need. The services break down into two main types: preventative services; and care and support.
- 2.2 With the exception of advocacy, these services have been commissioned and procured separately by both agencies.
- 2.3 The continued implementation of the joint strategy “A Sense of Belonging” requires that these services be accessible to more people to promote wellbeing and enable greater social inclusion. The consultation exercise has confirmed the needs and wishes of stakeholders in terms of priorities for service development.
- 2.4 The consultation exercise confirms what people want: good information about routes to wellbeing and the supports available; clear and quick access to support – preferably through one door; local and person-centred services; agencies that plan services with people who use them and deliver them in an integrated way; and services geared to assist recovery, promote citizenship and challenge stigma.

Main Report

- 3.1 In 2011, the Council endorsed 'A Sense of Belonging', the joint strategy for improving the mental health and wellbeing of Lothian's population for the period 2011 to 2016. In 2012, the Council approved contracts to providers of mental health and wellbeing services in support of this strategy, initially for a period of three years.
- 3.2 Between 2012 and 2015, all but two of the care and support contracts were moved from block contracts to framework agreements, in keeping with the expectations of personalisation and self-directed support. The two remaining block contracts will move across to framework agreements in October 2015. Preventative services are currently not in scope for self directed support and remain block contracts.
- 3.3 Legislation mandating the integration of health and social care requires that the future provision of mental health and wellbeing services is addressed by the new Integration Joint Board in its strategic plan for the 2016-2019. Work on the draft of this plan has begun. Pending the outcome of public consultation on the plan and publication of the final version later this year, the Council has agreed the extension of the contracts for currently commissioned mental health and wellbeing preventative services to 31 March 2016. It is recommended that a further six month extension of contracts be granted to support the redesign and procurement exercise that will be required.
- 3.4 The draft strategic plan for the Integrated Joint Board states: "At the heart of our plan is the development of a new relationship between citizens and communities, our services and staff, and the many other organisations who contribute to encouraging, supporting and maintaining the health and wellbeing of people who live in our city. We want to ensure that people are supported to live as independently as possible and enabled to look after themselves, but also access the right care and support when needed."
- 3.5 Planning for the new Royal Edinburgh Hospital includes reduced bed-based care and will require an enhanced set of community supports to prevent admission to hospital and to facilitate early discharge. The first phase of the new hospital will open in late 2016.
- 3.6 The move to locality partnerships will provide the opportunity to bring commissioning of most mental health services closer to the people and the area of the city in which they live.
- 3.7 There is a need for effective, efficient, outcome-focused services to be commissioned in line with the requirements of procurement legislation.
- 3.8 In light of the current and projected financial pressures, there is a need to achieve savings on all commissioned services.

- 3.9 Relative to the current contracts, the value of the extended contracts has been reduced by 5%, delivering a saving to the Council of £85,726. Further reductions may be necessary.

Measures of success

- 4.1 Services improved through implementation of changes required as identified through the consultation exercise.
- 4.2 People have better access to services they need, when and where they need them.
- 4.3 People's physical and mental health improves.
- 4.4 People experience less stigma and their recovery is assisted through opportunity for inclusive and meaningful lifestyles.
- 4.5 Services are person-centred and value lived experience.
- 4.6 The creation of a commissioning environment that will facilitate the development of alliance contracting and delivery on a locality basis from 2016 onwards.

Financial impact

- 5.1 Initial work has resulted in a saving of 5% (£85,726) from the Health and Social Care's budget for mental health and well being preventative services.
- 5.2 Further efficiencies may be required.

Risk, policy, compliance and governance impact

- 6.1 The implementation of the plan will be overseen by the Edinburgh Mental Health Planning Forum. This is a multi-agency group, including senior managers from NHS Lothian and the Council, with representation from services users and carers who are supported by independent advocacy, and third sector organisations.

Equalities impact

- 7.1 Delivery of the plan will contribute to the Council's and partners' legal responsibilities as defined in the Equality Act (2010) public sector equality duty. This works contributes to advancing equality of opportunity for men and women with mental health issues by ensuring they can receive person-centred services that support them to overcome stigma.

Sustainability impact

- 8.1 The duties of the Climate Change (Scotland) Act 2009 have been considered in respect of this report. Implementation of the plan does not contradict our duties as a public body under this legislation.

Consultation and engagement

9.1 This report is based on a consultation exercise undertaken in the autumn of 2014. The exercise included stakeholders, particularly service user and carers groups, colleagues and other partners. We received responses from over 120 people sharing their own experiences and 50 responses from organisations providing services to people with mental health problems. The consultation has helped us understand what people identify as the key priorities, and how these should be delivered.

Michelle Miller

Chief Social Work Officer

Contact: Graeme Mollon, Recovery and Reablement Manager

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Links

[A Sense of Belonging: A joint strategy for improving the mental health and wellbeing of Lothian's population.](#)

Coalition pledges	P30 - Continue to maintain a sound financial position including long - term financial planning P43 - Invest in healthy living and fitness advice for those in need
Council outcomes	CO10 - Improved health and reduced inequalities CO11 - Preventative and personalised support in place CO12 - Edinburgh's carers are supported CO13 - People are supported to live at home CO14 - Communities have the capacity to help support people CO16 - Well-housed - People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood
Single Outcome Agreement:	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health

Edinburgh's Mental Health and Wellbeing Services

Consultation feedback and proposed commissioning planning process

recovery choice health 'see me'
choice priorities inclusion
health acceptance recovery
'see me' wellbeing priorities inclusion

1. Introduction	Page 3
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3. What did we learn from the consultation exercise?	Page 6
3.1. Improving Access to Services	
3.2. Prevention – early intervention	
3.3. Personalisation	
3.4. Keeping Safe and Well	
3.5. Person-centred care – supporting recovery	
3.6. Improving health and wellbeing	
4. Plans for Future Commissioning	Page 12

Introduction

Welcome to consultation feedback which will inform the City of Edinburgh Council and NHS Lothian commissioning plan for mental health services. Commissioning aims to set out how services will be planned, monitored and developed to help people have better lives. As we move forward the planning for services will link with the Edinburgh Joint Strategic Needs Assessment (JSNA).

Our work to date has been developed with key stakeholders, particularly service user and carers groups, with the intention of seeking consensus in how we deliver effective and efficient services in the city.

This report sets out what is important for people and identifies the services that need to be prioritised. There is a need to be transformational and to consider how personalised services can be accessed and delivered, both locally and across the city. There is a need for the plan to fit within the increasing financial challenges in the public sector and the increasing demand for care and support as a result of demographic changes.

The new Edinburgh mental health hospital will reduce the provision of bed based hospital care for people with mental health problems. There will be a need for increased resources to support people at home.

The integration agenda provides the opportunity to develop local, integrated services which provide, easy access, early intervention, prevent admission and support early discharge from hospital.

In 2014, the Scottish Government passed the Public Bodies (Joint Working) (Scotland) Act 2014, which brings together the planning and operational oversight for a range of health and social care services for adults through newly formed integration authorities. From April 2016, the Edinburgh Integrated Joint Board (IJB) will be responsible for planning the way in which mental health and care services will be delivered and monitored. The integration of health and social care is

intended to improve outcomes for people through the provision of effective and efficient services. The IJB is required to produce a strategic plan, setting out how services in Edinburgh will be delivered in order to achieve a set of national and local outcomes for health and wellbeing. The draft Strategic Plan can be accessed [here](#).

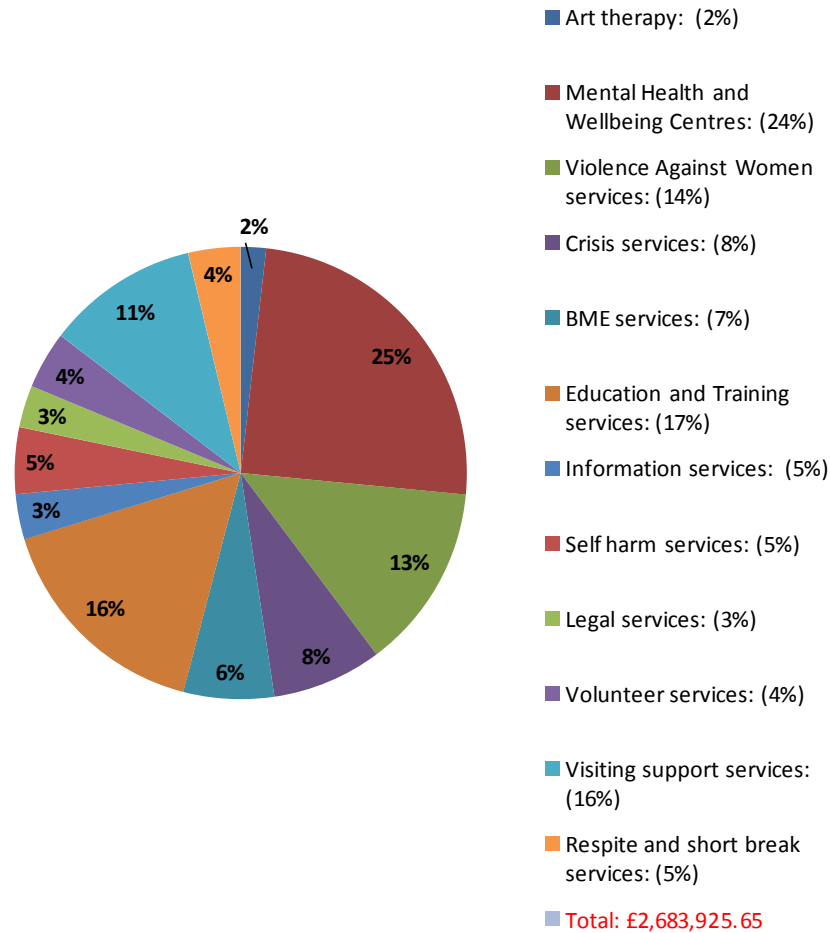
The integration of health and social care is important not only in improving outcomes for people and helping people in the recovery of both physical and mental ill-health; it also promotes a partnership approach involving all stakeholders in supporting people in their recovery and delivering on the key priorities that are set both locally and nationally.

Looking Forward

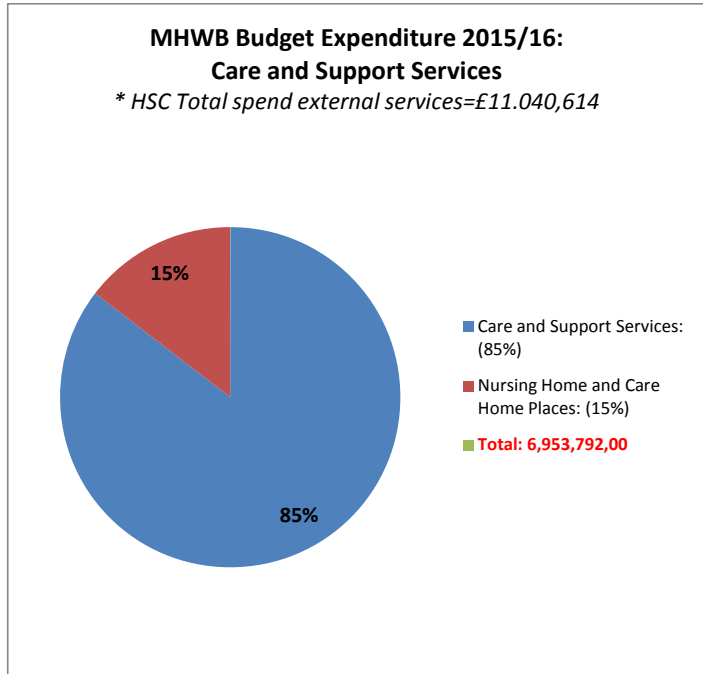
We believe the people of Edinburgh have a right to receive high quality mental health services that are available when they are needed and are based on the best evidence of effectiveness. This aim will require a range of different options and opportunities to be made available to support people maintain good health and wellbeing. Keys to success will include keeping people safe and well in their community, support and strengthening families and enabling people to have meaningful lives. In accordance with locally identified priorities and the national health and wellbeing outcomes, the plan is to ensure that the people of Edinburgh can:

- access the services and support they need
- have a choice over how they receive services and support
- input to how services are planned, commissioned and delivered
- expect services to be more integrated and delivered locally

MHWP Budget expenditure 2015/16: Preventative services



The Council and NHS Lothian currently contract and commission a number of different types of mental health and wellbeing services from the third sector to provide prevention and early intervention services. The services support over five thousand people. The two diagrams illustrate the total investment in mental health and wellbeing services and the percentage of investment in each area.



What did we learn from the consultation exercise?

In 2014, there was an extensive consultation exercise carried out with all stakeholders. We received responses from over 120 people sharing their own experiences, and 50 responses from organisations that provide services to people with mental health problems. The outcome of this consultation has helped us understand what people have identified as the key priorities, and how they should be delivered.

Currently all agencies are facing considerable challenge in balancing demand, service provision and the need to make savings to manage within allocated budgets. The table on the previous page outlines the total current spends by NHS Lothian and the City of Edinburgh Council on Care and Support services. There remains a substantial investment in mental health services in Edinburgh.

In the months ahead the focus will be on what services we need to prioritise, where they should be located and who is best placed to deliver them in line with the Health and Social Care Partnership's priority of providing the right care in the right place at the right time.

The following are key priority outcomes, derived from the consultation. All future planning should take these views into consideration and focus on:

- improved access to services
- prevention and early intervention
- delivery of personalised services to support recovery

- support to keep people safe and well
- improved health and wellbeing

The plan should be read in conjunction with the 'Commissioning Plan for Adult Social Care (2011-2016)' the joint mental health and wellbeing strategy "A Sense of Belonging" and the draft Strategic Plan for Health and Social Care.

The plan will ensure that the mental health and wellbeing services commissioned by the Council and NHS Lothian continue to work towards achieving the outcomes outlined in these plans.

Improving Access to Services

Increasing access opportunities and service delivery is a key issue in valuing mental health equally with physical health.

What people said:

- preventative services will be reduced due to the budget savings required
- services are too 'institutionalised'
- access and promotion of Wellness Recovery Action Planning (WRAP) are needed

What we plan to do

- make better use of local assets to improve local access and delivery and prevent the need for hospital admission
- build on good examples of where physical and mental health care are integrated
- develop ways of delivering integrated services via one door
- connect with people who are excluded and remove stigma

- invest in digital technology to assist recovery

Prevention and early intervention

Mental health services have traditionally been reactive, responding to the needs of people as they develop, and often engaging with people at a time of crisis. It makes sense, both for the health of the population and in terms of economics, to intervene early when people may have an issue with their mental health, in order to reduce the chances of more serious and enduring mental health problems developing, which would be worse for the individual and harder and more expensive for health and social care to support. There is good evidence to support a shift in our planning, design and delivery different services to enable people to be supported closer to home, and to support people in their recovery. Person-centred care supports people to develop the knowledge, skills and confidence they need to manage more effectively and make informed decisions about their own health and care.

What people said:

- we need preventative services, but also services that can respond when in crisis
- we want access to talking therapies, counselling, peer support
- we want good communication between professionals that takes account of the needs and wishes of people and their carers
- we want meaningful activity or increased opportunities around employment
- we want increased mental health awareness

What we plan to do:

- shift thinking to ‘doing with’ people, rather than ‘doing to’
- work with stakeholders to shift the focus and delivery of resources from bed-based care to a preventative community infrastructure
- invest in peer support to assist people in their recovery and self management of their health and wellbeing
- have ongoing conversations with people in their communities to understand their key priorities and how services should be planned, commissioned and delivered locally

Personalisation

Personalisation means thinking about care and support services in a different way. It means starting with the person as an individual with strengths, preferences and aspirations. The person is central to the process of identifying their needs and aspirations and making choices about how and when they are supported to live their life. It requires a significant transformation of all adult social care services, including mental health, so that all systems, processes, staff and services are geared up to put people first. The key values and principles, which will support the redesign and commissioning of services in Edinburgh, will be based on our commitment to provide people with as much choice and control as possible.

What people said:

- they have limited choice about who provides their care and support
- they are unsure about what services are available to them

What we plan to do:

- create a clear directory of services to provide current and accessible information

- deliver training that ensures a well informed workforce who can explain clearly how people can be supported through the four options within self directed support
- have clear eligibility criteria, which address the needs and opportunities around supporting people who have emotional as well as physical support needs.

Excellence in commissioning requires a mature, multi-agency approach. The integration of health and social care will support this by bringing together health and social care commissioners, the local community and wider partners. Through the Integration Joint Board, partners will work together to develop a joint understanding of the local population's health and wellbeing needs and a shared strategy for meeting these. Central to this, is the Joint Strategic Needs Assessment process, and the development of a Joint Health and Wellbeing Strategy to set out a shared set of priorities to address the identified need.

Supporting recovery

What people said:

People want:

- something meaningful and structured in their life and access to services where they feel accepted
- to be free from anti social behaviour in their neighbourhood
- good housing that prevents levels of anxiety and stress from escalating
- to be stigma free

What we plan to do

- continue to consider the safety of children, young people and vulnerable adults, and to safeguard them
- continue to address the need for adults to take risks and to consider the benefits and alternatives
- ensure people and their families are supported appropriately through times of emotional or physical distress and continue to provide safe environments for people to have a sense of belonging

Improving health and wellbeing

Raising awareness of the need for good physical and mental health continues to be a key priority within the mental health strategy: 'A Sense of Belonging'.

What people said:

- people want services to provide help with both physical and mental health issues
- services should be accessible through a single contact, to prevent people having to make multiple contacts in multiple locations
- Services should be aware of activities that encourage good mental health and wellbeing, such as exercise, positive interactions, meditation, supportive work environment, good sleep, housing, nutrition, reflexology, medication, respite and gardening

What we plan to do:

- through the alliance-based contracting process, we will ensure that services provide outcomes that support good physical and mental health

- ensure that services use the assets in their locality to promote good physical health and well being

Plans for Future Commissioning

The financial challenges in the public sector are well documented. The scale of budget pressures brings immediate challenges for the public sector to reduce expenditure, but to also ensure long-term, sustainable public services.

The current mental health and wellbeing contracts will come to an end in March 2016. It is recommended that contracts be extended for a further period of six months to support redesign and procurement of services. This will provide the opportunity to redesign services in line with the shift to locality working, and through a process of co-production. The co-production process will be supported by service user and carer representation, providers and commissioners who will design services, which fit within an integrated model of working. This will include developing a new contract specification, which will be outcome focused.

The City of Edinburgh Council and NHS Lothian intend procuring services in the future by using an approach that continues to work with service user and carer groups and all stakeholders who together will lead the co-production and procurement of services in accordance with alliance contracting. Alliance contracting is a contracting structure in which multiple organisations, including commissioners and providers, agree to work collaboratively to deliver agreed services.

Some of the key features of alliance contracting:

- commissioners enter into a single overarching contract with a number of providers

- commissioners are part of the alliance
- objectives are aligned for all parties and everyone signs up to an agreed vision and values against which the contract will be delivered
- all parties are jointly responsible for delivering agreed outcomes, but particular partners may take the lead for certain elements of service delivery
- commissioners and providers share the risks and outcomes of the alliance working
- strong relationships are essential and disputes are resolved within the alliance
- innovation is a key component of the process and the subsequent contracts

Some of the features of redesigned mental health and wellbeing service:

- good signposting, clear and available information, easy access preferably through one door
- a culture shift that puts people and their recovery at the centre of planning and delivery of services
- a move of investments from building based/bed based care to support near home
- a move of investment from reactive interventions at a time of crisis to preventative support
- a strategy to tackle stigma at all levels
- promotion of inclusion and full and meaningful citizenship

If you would like any further information about the plan, please contact:

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Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Community Transport – Development of a Public Social Partnership

Item number	7.19
Report number	
Executive/routine	
Wards	

Executive summary

This report provides an update to the Finance and Resource Committee, on progress in developing a framework for the provision of community and accessible transport by Third Sector providers and seeks approval to develop a Public Social Partnership.

Links

Coalition pledges	P1 , P30 , P37 , P47
Council outcomes	CO3 , CO13 , CO14 , CO22 , CO26 , CO27
Single Outcome Agreement	SO1

Community Transport – Development of a Public Social Partnership

Recommendations

- 1.1 It is recommended that the Committee:
 - 1.1.1 approves the development of a Public Social Partnership with Community Transport providers for the provision of accessible transport on behalf of the Council;
 - 1.1.2 Notes the intention to bring back a further report seeking approval to formally enter into a Public Social Partnership

Background

- 2.1 At its meeting on 4 November 2014, the Corporate Policy and Strategy Committee considered a report on Phase 1 of the Community and Accessible Transport Review, and noted that a further report would be submitted to the Committee in spring 2015 detailing the outcomes of the next stage of the review. Consideration of the other recommendations within the report was deferred until the January 2015 meeting of the Committee to allow further consultation with the Community and Accessible Transport Review Working Group, and in particular the community transport providers.
- 2.2 At its meeting on 15 January 2015, Finance and Resources Committee agreed to extend the contracts with Lothian Community Transport Services, South Edinburgh Amenities Group, Handicabs Ltd, Pilton Equalities Project, Dove Transport and Lothian Shopmobility for a period of 12 months from 1 April 2015 to 31 March 2016. This is to allow the development of a group travel framework and consideration of how this is best provided.
- 2.3 At its meeting on 20 January 2015, the Corporate Policy and Strategy Committee considered a further report on Phase 1 of the Community and Accessible Transport Review, and approved the Proposed Solution developed as part of Phase 1 of the review. The Committee also noted the feedback from the community transport providers, and agreed these concerns would be addressed during Phase 2 of the review.

- 2.4 At its meeting on 9 June 2015, the Corporate Policy and Strategy Committee considered a report on an Update to Stage 2 of the Review of Community and Accessible Transport, and agreed to proceed with the review workplan outlined in Appendix 2 of that report.

Main report

- 3.1 Discussions have taken place with Third Sector partners, other local authorities and on the different options for engaging with Community Transport providers in the provision of accessible transport.
- 3.2 The Public Social Partnership (PSP) model which is supported by the Scottish Government has been identified as providing the most flexible and appropriate option (see Appendix 1).
- 3.3 The Scottish Government's 'Guide to Forming and Operating a Public-Social Partnership' defines a PSP as a 'strategic partnering arrangement which involves the third sector earlier and more deeply in the design and commissioning of public services'.
- 3.4 PSPs are based on a co-planning approach, through which the public sector can connect with third sector organisations (voluntary, charity and social enterprise organisations) to share responsibility for designing services based around service user needs rather than the current suite of standard services which users can access. Public Social Partnerships recognise and value the contribution that third sector organisations can make to the service planning process through their close relationships with service users. By giving the third sector an equivalent role in service design, alongside the public sector commissioner; services can be designed with the needs of service users at the forefront of the process. Services can then be trialled by third sector providers, with a view to identifying how the service works in practice, outcomes achieved and how much it costs. The service that emerges from this process can then be procured for the longer term. Examples include:
- Strathclyde Partnership for Transport & Community Transport Provision in the West of Scotland has successfully resulted in improved quality, social benefit for service users and increased capacity.
 - The Royal Edinburgh Hospital Public Social Partnership - Wayfinder, Mental Health Rehabilitation Pathway successfully engages third sector providers and service user in the design of services leading to better outcomes for service users, the right service in the right setting with strong governance.

- Reducing re offending PSP involves the third sector in the design and delivery of more effective public services, through the use of the Public-Social Partnership finance model. Over 2013-15, £7.7 million is available to two national services and four regional or specialised projects - each based on a PSP structure of third and public sector organisations. Nearly 4,000 individuals are expected to receive assistance in the first two years of delivery. This has been continued for a further two years. The Public Social Partnership model has a strategic fit with the Cooperative Capital Framework and Community Empowerment (Scotland) Act 2015 and will be supported by “Ready for Business” consultancy, fully funded by the Scottish Government.
- 3.5 There are several triggers leading to the change to the preferred option of a Public Social Partnership. Appendix 2.
- 3.6 Edinburgh Community Transport Operators Group (ECTOG) members have responded positively to the Council’s wish to engage in a co-production approach. They have formally agreed to engage with the development of a Public Social Partnership and the redesign of services to provide innovative, integrated cost effective transport solutions that meet the growing demand faced by the Council for accessible transport. Work is underway on designing a service specification which will meet the needs of service users, provide a quality framework for service provision, optimise vehicle utilisation through efficient booking and scheduling and enable the Council to reduce its use of taxis for service users in Health & Social Care and Children and Families. It is intended that the PSP will commence on 1 April 2016, and run for a maximum of three years.
- 3.7 In assessing the current and future models, a number of key considerations were taken into account, including service continuity to avoid disruption to vulnerable service users and carers underpinned by child adult protection issues.
- 3.8 The Public Social Partnership will work closely with a Corporate Transport Unit which will take responsibility for procuring, planning and co-ordinating all passenger transport required by the Council and ensuring that this is provided in a way that is cost effective and appropriate to the needs of individual service users. A new fit for purpose booking and scheduling system will be used by the Corporate Transport Unit to enable the efficient management of all passenger journeys.
- 3.9 It is intended to bring back a further report to this Committee in February 2016 with a more detailed business case and to seek approval to formally enter into a Public Social Partnership with Community Transport providers, based on the internal and external factors identified in the SWOT analysis. Appendix 3.

Measures of success

- 4.1 Ensuring that third sector organisations deliver accessible and affordable transport required to meet the needs of services and people who are socially excluded or isolated.
- 4.2 Spend on individual taxi journeys in Health and Social Care and Children and Families is reduced.

Financial impact

- 5.1 Currently the Council provides £835,236 of direct funding to the Community Transport providers. It is intended to redirect this investment through the Public Social Partnership. The service to be provided by the PSP will enable the Council to make savings on accessible transport through reduced use of taxi journeys.
- 5.2 A more detailed assessment of the financial impact will be considered in the Business Case that will be reported to this Committee at its meeting in February 2016.

Risk, policy, compliance and governance impact

- 6.1 Throughout the developments identified in Stage 2 a RAID (Risks, Assumptions, Issues and Dependencies) Log will be maintained in conjunction with the Review of Community and Accessible Transport.
- 6.2 Overall responsibility for services in a social and community context will continue to be the legal responsibility of public bodies under statutory regimes (http://readyforbusiness.org/wp-content/uploads/2013/03/lib-FAQs-Public-Social-Partnerships_2013.pdf).

Equalities impact

- 7.1 An Equalities and Rights Impact Assessment is being undertaken as a core part of Stage 2 of the review of community and accessible transport and is ongoing.
- 7.2 A further assessment will be scheduled at the end of 2016/17 to identify whether the needs of third sector groups are fully addressed during the ongoing period of service re-design.
- 7.3 Informal engagement and communication with groups and individuals has raised questions about the current service that has help shape the formal consultation process.

- 7.4 The Consultation process time line will be reflected in the Review of Community and Accessible Transport.
- 7.5 The [Record of Equality and Rights Impact Assessment \(ERIA\)](#) form will be completed at the end of the Review of Community and Accessible Transport.

Sustainability impact

- 8.1 Sustainability in service delivery remains a key focus of all services and has particular relevance here in the efficient allocation of assisted travel and transport solutions. Making best use of capacity also reduces miles travelled and hence contributes to improved air quality and reduced carbon emissions.
- 8.2 With reference to Environmental Assessment (Scotland) Act 2005, The City of Edinburgh Council requires all reports and procedural matters to comply with all aspects of Strategic Environmental Assessment. The SEA toolkit is used to define and scope this report.

Consultation and engagement

- 9.1 There has been extensive consultation with ECTOG members concerning the proposed Public Social Partnership.
- 9.2 Phase 1 of the review of community and accessible transport included consultation with third sector groups, which validated the importance of, and reliance on, the services provided by ECTOG members.
- 9.3 The Consultation time line will be agreed within the parameters of the Review of Community and Accessible Transport, stage 2. In the meantime communication and engagement continues with the following:

A City for All Ages – Checkpoint Group
Edinburgh Plan Action Group – Checkpoint Group
Edinburgh Chinese Support Association
Association of Minority Ethnic Communities Co-production Partnership
Lothian Coalition for Independent Living
Firhill Day Centre – Physical Disability Group
Craighall Day Centre – Physical Disability Group
Handicabs – Service User Group

Background reading/external references

None.

John Bury

Acting Director of Services for Communities

Contact: Frank Henderson, Senior Project Manager

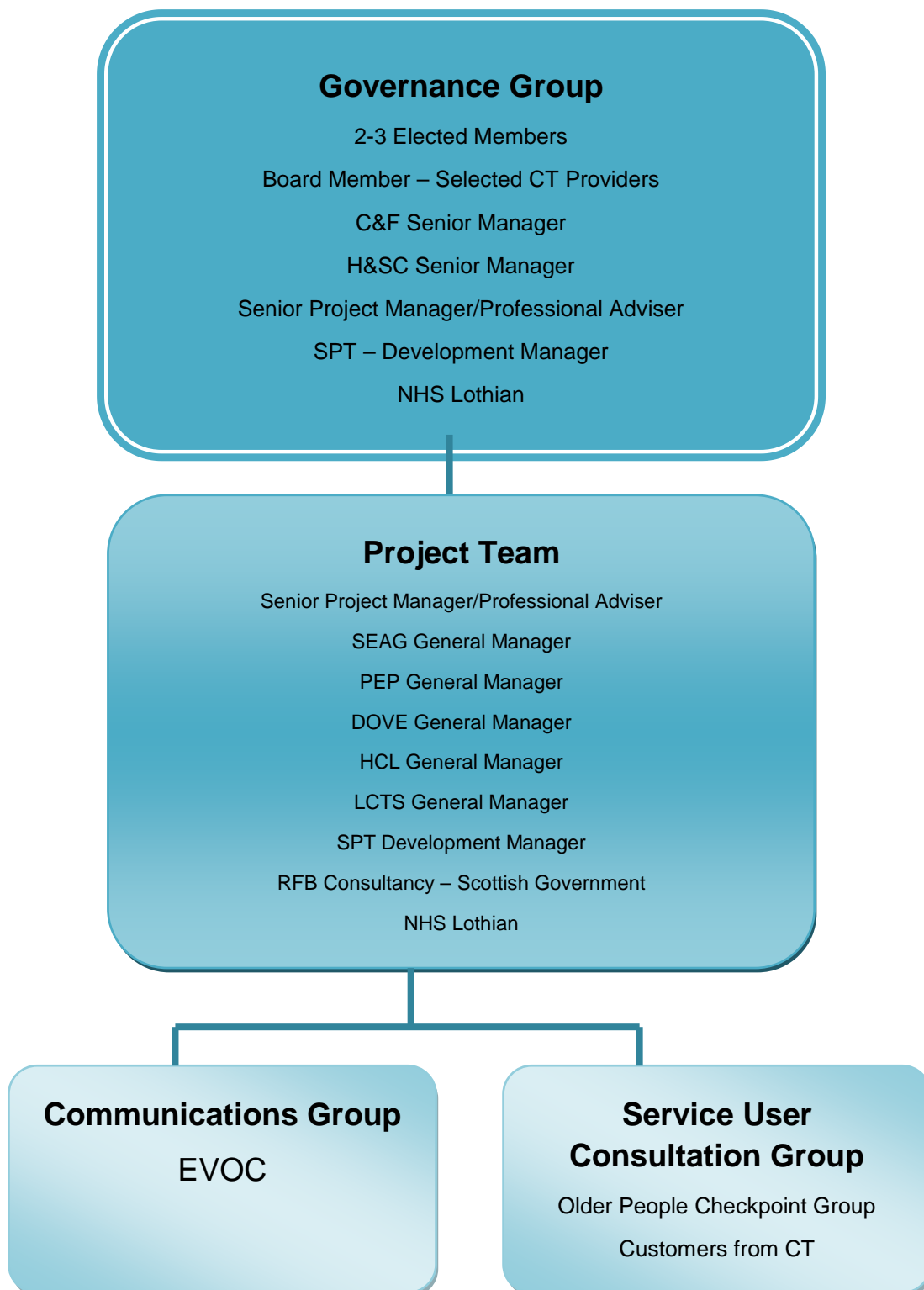
E-mail: frank.henderson@edinburgh.gov.uk | Tel: 0131 469 6248

Links

Coalition pledges	<p>P1 – Increase support for vulnerable children, including help for families so that fewer go into care.</p> <p>P30 – ~Continue to maintain a sound financial position including long-term financial planning.</p> <p>P37 – Examine ways to bring the Council, care home staff and users together into co-operatives to provide means to make life better for care home users.</p> <p>P47 – Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs.</p>
Council outcomes	<p>CO3 – Our children and young people at risk, or with a disability, have improved life chances.</p> <p>CO13 – People are supported to live at home.</p> <p>CO14 – Communities have the capacity to help support others.</p> <p>CO22 – Moving efficiently – Edinburgh has a transport system that improves connectivity and is green, healthy and accessible.</p> <p>CO26 – The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives.</p> <p>CO27 – The Council supports, invests in and develops our people.</p>
Single Outcome Agreement	<p>SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all.</p>
Appendices	<p>1 – Public Social Partnership: Governance Arrangements</p> <p>2 – Triggers for a Public Social Partnership</p> <p>3 – SWOT Analysis</p>

Appendix 1

Public Social Partnership: Governance Arrangements

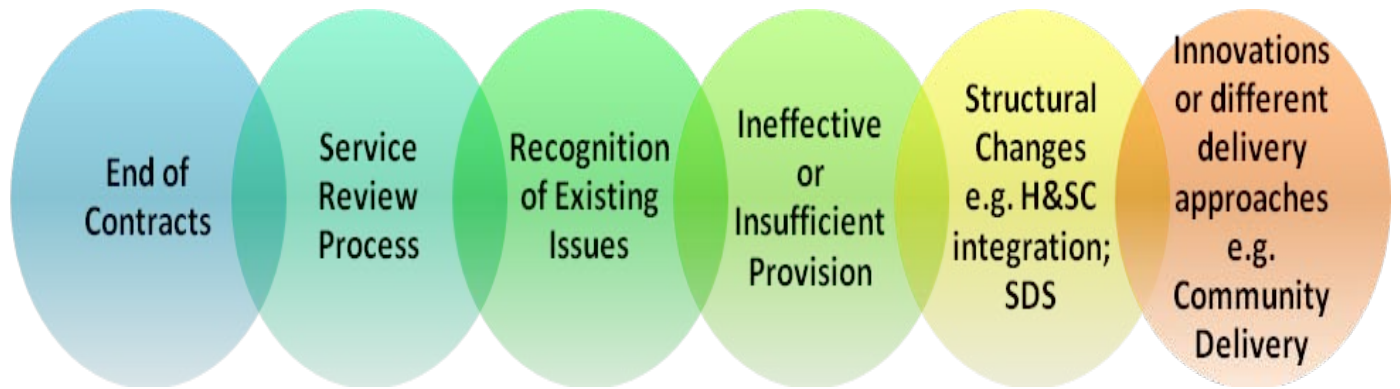


Boards & Group – Descriptions

Group Title	Job Description
<p>Governance Group/Project Board</p> <p><u>Governance</u></p> <p>SFC</p> <p>CT Board Members</p> <p>Elected Members X 2/3</p>	<ul style="list-style-type: none"> • Representation from both the Public and Third Sector parties to maintain the PSP principle of equal partnership, and allow key decisions and approval processes to be made jointly • Should also include user representation, the format of this will depend on the nature and complexity of issues faced. Where a single user attends the Governance Group/Project Board as representation use user views, this should be supported with appropriate mechanisms and groups for gathering wider input from servicer users, their families and carers • Other relevant stakeholders should be invited to attend the group when required eg staff union representatives, procurement etc • Signs of PSP project documentation, including the Project Initiation Document, project plans and strategies • Exercises functional and financial authority to support the project • Receives reports from the project manager, monitors progress and ensures appropriate management of any slippages in timescales • Reviews risks, issues and any deviation from project plans and determines appropriate course of action based on recommendations from the project manager • Signs off project stages/deliverables and closure
<p>Project Team</p> <p>Senior Project Manager/ Professional Adviser</p> <p>CT</p> <p>SFC</p> <p>H&SC</p> <p>C&F</p> <p>SPT</p>	<ul style="list-style-type: none"> • Managed by the Project Manager, the PSP project team assumes responsibility for progressing the project and completing tasks which have been identified in the project plan • Split the workstreams, the number of which is defined by the scale and complexity of the project the PSP is delivering • Workstream leads will have responsibility for ensuring sub-teams within the project are formed and deliver on time and report in to the Project Manager • Progress made by the project team is collated and monitored by the Project Manager and is fed into the Governance Group// Project Board • Membership is shared between the public and third sector representatives with key involvement from those who use services, their families and carers

Appendix 2

Triggers for a Public Social Partnership



Appendix 3

SWOT Analysis



Finance and Resources Committee

10.00 am, Thursday, 24 September 2015

Construction Professional Services Framework Agreement – Award of Contract

Item number	7.20
Report number	
Executive/routine	
Wards	All

Executive summary

This report seeks Committee approval to award a multi-lot framework agreement to the most economically advantageous organisations identified following a competitive tendering process. The framework consists of 9 lots for construction professional services to support the Council in delivering it's construction, maintenance and repair programmes.

Links

Coalition pledges	P17, P29, P30, P31
Council outcomes	CO16, CO23
Single Outcome Agreement	SO4

Construction Professional Services Framework Agreement – Award of Contract

Recommendations

It is recommended that Committee:

- 1.1 Approves the award of Lot 1 Project Management Services to Doig and Smith Ltd, Sweett (UK) Ltd and Thomas and Adamson Ltd at an estimated contract value of £1,000,000 per annum;
- 1.2 Approves the award of Lot 2 Building Surveying Services to Faithful and Gould, Hardies and Summers Inman at an estimated contract value of £1,000,000 per annum;
- 1.3 Approves the award of Lot 3 Quantity Surveying Services to Doig & Smith Ltd, Gardiner & Theobald Ltd and Sweett (UK) Ltd at an estimated contract value of £1,000,000 per annum;
- 1.4 Approves the award of Lot 4 Architectural Services to Anderson Bell Christie Ltd, Collective Architecture and Holmes Miller Ltd at an estimated contract value of £1,000,000 per annum;
- 1.5 Approves the award of Lot 5 Structural Engineering Services to Aecom Ltd, David Narro Associates and Will Rudd Davidson Ltd at an estimated contract value of £1,250,000 per annum;
- 1.6 Approves the award of Lot 6 Mechanical & Electrical Engineering Services to Blackwood Partnership Ltd, Cundall Johnston and RSP Consulting at an estimated contract value of £750,000 per annum;
- 1.7 Approves the award of Lot 7 Fire Engineering Services to Aecom Ltd and Ramboll Ltd at an estimated contract value of £300,000 per annum;
- 1.8 Approves the award of Lot 8 Interior Design, Space Planning and Move Management Services to Holmes Miller Ltd, Smith Scott Mullan Architects Ltd and Space Solutions Ltd at an estimated contract value of £300,000 per annum;
- 1.9 Approves the award of Lot 9 Multi-Discipline Design Team Services to AHR Architects, Capita Property and Infrastructure Ltd and Gardiner & Theobald at an estimated contract value of £1,500,000 per annum;
- 1.10 Notes the contract values above are reflective of historical spend on these services over the previous three financial years, and that the scope of works may fluctuate subject to budget allocation and funding approvals; and
- 1.11 Notes that the Framework Agreement is a collaborative arrangement to be used predominantly by Corporate Property and Housing Asset Management. The

Framework Agreements are also available to other Council Departments and may be utilised by West Lothian Council, Midlothian Council and Council's Arms Length Organisations.

Background

- 2.1 The Council has limited construction technical resources to support its Capital Investment Programme for construction and maintenance and repair programmes.
- 2.2 To meet critical targets, the internal service often requires support from external consultants through a range of procured contractual arrangements. This may be single discipline or require multi-discipline services depending on the nature of the project and its complexity.
- 2.3 At present, the Council is utilising a range of organisations to deliver construction professional services, through a range of procured contractual arrangements and Quick Quotes.
- 2.4 Commercial and Procurement Services has undertaken a procurement strategy to bring these requirements under one framework. This aims to provide suitable support to internal services, and maximise economies of scale, improve contract management efficiencies, and rationalise the portfolio of providers.
- 2.5 A review of the current arrangements commenced in early 2014 with the aim to consolidate the current requirements into one framework, which can then be used by other Council service areas, provide support to other local authorities in the Lothian region and the Councils Arms Length Organisations, if required.

Main report

- 3.1 The Council wishes to appoint a number of suitably qualified and experienced consultants to carry out construction professional services for an undefined programme of construction, maintenance and repairs. The tender and evaluation process was conducted in accordance with Council Contract Standing Orders, Public Contracts (Scotland) Regulations 2012 and EU Procurement Directives.
- 3.2 On 6th March 2015, the Council undertook a full tender exercise by placing a contract notice on the Public Contracts Scotland Portal as a two stage process.
- 3.3 The lots advertised were:
 - Lot 1 Project Management Services;
 - Lot 2 Building Surveying Services;
 - Lot 3 Quantity Surveying Services;
 - Lot 4 Architectural Services;
 - Lot 5 Structural Engineering Services;
 - Lot 6 Mechanical & Electrical Engineering Services;
 - Lot 7 Fire Engineering Services;

- Lot 8 Interior Design, Space Planning & Move Management Services; and
 - Lot 9 Multi-Discipline Design Team Services.
- 3.4 The aim of the Pre-Qualification Questionnaire (PQQ) evaluation process was to allow the Council to identify suitably qualified and experienced bidders to be invited to tender. Up to six organisations per lot were successful in proceeding to the tender stage.
- 3.5 Following tender returns in July 2015, tender submissions were evaluated by a technical evaluation panel. This places an emphasis on quality, as well as price, with the aim of selecting the most economically advantageous tenders for each of the 9 lots based on consultants tendering on a cost quality ratio of 60% quality and 40% price. The quality/cost ratio was determined due to a need for consultants to provide quality service at the most economical price.
- 3.6 The quality analysis was based on weighted award criteria questions, which were scored using a 0 to 10 matrix. Following completion of the quality analysis, tenders that passed the minimum threshold of 60% were subject to cost analysis.
- 3.7 All the bids submitted were based on a percentage fee for the provision of the services, based on a range of construction values, with 30% of the award criteria allocated to this element of the pricing evaluation. Bidders were also asked to provide a price for a range of hourly rates, allocated 7.5% of the award criteria and the remaining 2.5% for acting as Principal Designer and Contract Administrator and, where appropriate, a cost for Building Information Modelling. The tender results for each lot are set out below.

Lot 1 Project Management Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
Sweett Group UK	46.80	32.98	1
Thomas and Adamson	45.60	33.50	2
Doig and Smith	41.40	36.71	3
Bidder 4	47.70	18.37	4
Bidder 5	43.80	22.05	5
Bidder 6	36.60	15.69	6

Lot 2 Building Surveying Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
Summers Inman	45.60	38.39	1
Faithful & Gould	39.90	32.39	2
Hardies	45.30	18.33	3
Bidder 4	42.30	21.04	4
Bidder 5	42.00	19.72	5
Bidder 6	40.80	14.15	6

Lot 3 Quantity Surveying Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
Sweett (UK) Group	48.60	35.51	1
Doig & Smith	46.80	36.75	2
Gardiner & Theobald	52.20	22.07	3
Bidder 4	43.50	30.09	4
Bidder 5	48.00	24.70	5
Bidder 6	42.30	30.31	6
Bidder 7	39.00	27.33	7
Bidder 8	43.50	22.14	8

Lot 4 Architectural Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
Anderson Bell Christie	45.90	37.22	1
Collective Architecture	48.60	33.06	2

Holmes Miller	44.10	33.60	3
Bidder 4	51.00	23.53	4
Bidder 5	42.60	27.70	5

Lot 5 Structural Engineering Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
David Narro Associates	45.60	33.22	1
Will Rudd Davidson	47.10	29.74	2
Aecom	48.00	28.72	3
Bidder 4	43.50	33.07	4
Bidder 5	44.40	28.19	5
Bidder 6	46.50	22.38	6

Lot 6 Mechanical & Electrical Engineering Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
RSP Consulting	46.80	38.82	1
Blackwood Partnership	45.30	35.85	2
Cundall Johnston	56.10	24.02	3
Bidder 4	46.20	32.43	4
Bidder 5	48.30	27.93	5
Bidder 6	34.80	0	6
Bidder 7	34.50	0	7

Lot 7 Fire Engineering Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
Ramboll	48.00	40.00	1
Aecom	48.00	30.77	2

Lot 8 Interior Design, Space Planning and Move Management Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
Space Solutions	48.60	37.83	1
Holmes Miller	39.90	33.12	2
Smith Scott Mullan	45.60	20.37	3

Lot 9 Multi-Discipline Design Team Services

Consultant	Quality (Max 60)	Price (Max 40)	Overall Rank
AHR Architects	44.70	37.14	1
Capita	42.90	32.91	2
Gardiner & Theobald	44.40	29.72	3
Bidder 4	44.10	29.17	4
Bidder 5	40.80	31.41	5
Bidder 6	41.70	28.46	6
Bidder 7	36.60	28.51	

- 3.8 Where organisations have a “0.0” score for price this is due to their quality bid failing to achieve the pre-set quality threshold of 60%. Organisations failing to achieve the 60% threshold were not considered further for appointment and their fee bid was not reviewed.

Measures of success

- Performance will be assessed against set objectives measured by Key Performance Indicators (KPIs). Performance monitoring KPIs assures the consultants meet and exceed required service standards in managing:
- Cost Compliance
- Time Performance
- Customer Complaints
- Availability of Staff
- Compliance against the Framework Agreement Community Benefits Programme

Financial impact

- 5.1 The estimated contract value of each of the 9 lots is reflective of historical spend for these services over the previous three financial years. Contract spend will be monitored on an ongoing basis.
- 5.2 It is anticipated that significant financial efficiencies of approximately 5%, will be delivered through the new framework. This will be achieved by rationalising the number of suppliers, consolidating spend, realising volume discounts and promoting contract compliance. The Council may use mini competitions to further drive additional value where it is deemed appropriate.
- 5.3 The costs associated with procuring this contract are estimated to be between £20,000 and £35,000.

Risk, policy, compliance and governance impact

- 6.1 Whilst previous professional consultancy services were procured on a departmental basis, using a variety of contracting arrangements, the collective use of this framework across the Council, will achieve succeeds in city wide benefits as well as the ability to build long term working relationship with each consultant.
- 6.2 The risk of not approving the framework could result in major Council building programmes of work being put at risk.
- 6.3 To meet the Council's extensive building, maintenance and repair programmes it is essential that internal resources are supported in the long term by a range of external consultants. Continuing with the present procurement options, to tender such a scale of services puts the Council at risk of failing to comply with Contract Standing Orders and European procurement rules. This could result in the Council not being able to meet its agreed coalition pledges and statutory duties.

Equalities impact

- 7.1 Investing in new buildings, altering and extending existing stock and improving external environment will have a positive impact on users and local communities.
- 7.2 Improving housing stock will increase energy efficiency and reduce fuel poverty.
- 7.3 Investing in Council facilities will improve the quality of life of Edinburgh residents.

Sustainability impact

Community Benefits

- 8.1 The Council runs a Community Benefits in Public Procurement Programme. As part of the admission to the framework, successful contractors will provide a community benefit for each £50,000 of services commissioned to their organisation. For a full list of community benefits which organisations can choose from, please see Appendix 2.
- 8.2 Due to the value of the Framework, the contract succeeds in securing over 600 community benefits.

Consultation and engagement

- 9.1 Engagement was carried out with Corporate Property, Housing Asset Management and Corporate Procurement.
- 9.2 Consultation regarding cost savings with Finance.

Background reading/external references

Not applicable

John Bury

Acting Director for Services for Communities

Contact:

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Links

Coalition pledges	<p>P17 – Continue efforts to develop the city’s gap sites and encourage regeneration.</p> <p>P29 - Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work.</p> <p>P30 - Continue to maintain a sound financial position including long-term financial planning.</p> <p>P31 - Maintain our City’s reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure.</p>
Council outcomes	<p>CO16 - Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood.</p> <p>CO19 - Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm.</p> <p>CO25 - The Council has efficient and effective services that deliver on objectives.</p>
Single Outcome Agreement	<p>SO4 - Edinburgh's communities are safer and have improved physical and social fabric.</p>
Appendices	<p>Appendix 1 – Tendering.</p> <p>Appendix 2 – Community Benefits List.</p>

Appendix1 – Summary of Tendering and Tender Evaluation Processes.

Contract	Lot 1 Project Management Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£4,000,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	6
Tenders returned	6
Tenders fully compliant	6
Recommended suppliers	Doig & Smith Ltd, Gardiner & Theobald, Sweet (UK) Group
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 25% Service Delivery Methodology – 30% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Project Team Manager, Building Programme Team Project Manager, Building Programme Team Building Surveyor, Housing Asset Management

Contract	Lot 2 Building Surveying Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£4,000,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	6
Tenders returned	6
Tenders fully compliant	6
Recommended suppliers	Faithful and Gould, Hardies and Summers Inman
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 25% Service Delivery Methodology – 30% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Building Surveying Manager, Building Programme Team Building Surveying Group Leader, Building Programme Team Senior Surveyor, Housing Asset Management

Contract	Lot 3 Quantity Surveying Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£4,000,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	8
Tenders returned	8
Tenders fully compliant	8
Recommended suppliers	Doig & Smith, Gardiner & Theobald, Sweet (UK) Group
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 25% Service Delivery Methodology – 30% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Project Team Manager, Building Programme Team Project Manager Major Works, Building Programme Team Quantity Surveyor, Housing Asset Management

Contract	Lot 4 Architectural Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£4,000,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	6
Tenders returned	5
Tenders fully compliant	5
Recommended suppliers	Anderson Bell Christie, Collective Architecture, Holmes Miller
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 20% Service Delivery Methodology – 30% Building Information Modelling Systems – 5% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Building Programme Team Manager, Major Works Senior Project Manager, Housing & Regeneration Architectural Manager, Building Programme Team

Contract	Lot 5 Structural Engineering Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£4,500,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	6
Tenders returned	6
Tenders fully compliant	6
Recommended suppliers	Aecom Ltd, David Narro Associates, Will Rudd Davidson
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 25% Service Delivery Methodology – 30% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Architectural Manager, Building Programme Team Project Manager, Building Programme Team Surveyor, Housing Asset Management

Contract	Lot 6 Mechanical & Electrical Engineering Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£3,000,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	7 (two scored joint 6 th place in PQQ evaluation)
Tenders returned	7
Tenders fully compliant	7
Recommended suppliers	Blackwood Partnership, Cundall Johnston, RSP Consulting
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 25% Service Delivery Methodology – 30% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Design Team Manager, Building Programme Team Engineering Services Manager, Building Programme Team Senior Electrical Engineer, Housing Asset Management

Contract	Lot 7 Fire Engineering Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£1,200,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	3
Tenders returned	2
Tenders fully compliant	2
Recommended suppliers	Aecom Ltd and Ramboll Ltd
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 25% Service Delivery Methodology – 30% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Design Team Manager, Building Programme Team Engineering Services Manager, Building Programme Team Surveyor, Housing Asset Management

Contract	Lot 8 Interior Design, Space Planning and Move Management Services
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£1,200,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	5
Tenders returned	3
Tenders fully compliant	3
Recommended suppliers	Holmes Miller, Smith Scott Mullan, Space Solutions
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 20% Service Delivery Methodology – 30% Building Information Modelling Systems – 5% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Design Team Manager, Building Programme Team Acting Manager, Accommodation Planning Team

Contract	Lot 9 Multi-Discipline Design Team
Contract Period (including any extensions)	2+1+1
Estimated Lot Value	£6,000,000
Standing Orders Observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	Public Contracts Scotland & www.edin-tend.co.uk
EU Procedure Chosen	Restricted
Invitations to tender issued	7
Tenders returned	7
Tenders fully compliant	7
Recommended suppliers	AHR Architects Ltd, Capita, Gardiner & Theobald
Primary criterion	Most economically advantageous tender (MEAT)
Evaluation criteria and weightings and reasons for this approach	60% Quality, 40% Price Framework Delivery Team – 20% Service Delivery Methodology – 30% Building Information Modelling Systems – 5% Framework Challenges – 20% Quality Assurance, Reviews & Complaints Procedures – 20% Community Benefits & Added Value – 5%
Evaluation Team	Design Team Manager, Building Programme Team Senior Project Manager, Housing & Regeneration

Appendix 2 – Community Benefits List

- A School Visit to undertake career development / mock interviews (half day)
- Carry out a workshop in a School or Community Centre in Edinburgh linked to Curriculum for Excellence
- Work placement for a minimum of 5 days for an S3 or S4 pupil in an Edinburgh School either in Construction or Office based
- Work experience of a minimum of 5 days for unemployed person (not necessarily young person)
- Training or support for local unemployed person who is having difficulty returning to employment
- Support the delivery of works related community benefits by providing consultancy services (e.g. small refurbishment project for local woman's refuge)
- Local college students site visits to Council Construction Projects facilitated by the Consultant
- Participation in the Council's Meet the Buyer Event (e.g. having a stand at the event to support SMEs, speaking about your experience of working with the Council)
- Providing construction safety education to school children on its own or as part of a wider safety education session
- Extended work placement for a minimum of 15 days for a school pupil at an Edinburgh School.
- Provide one-to-one mentoring to a young person from Edinburgh – one hour per month for 12 months
- Undertake a local area tidy-up campaign
- Sponsorship of local community group e.g. local football club, brownies etc.
- Undertake feasibility study or research work to support the Council in restoring monuments, spaces or structures to support the local community enjoyment
- Provide talks/training to Council staff on new legislation, terms and conditions, value engineering etc to enhance knowledge transfer
- Community enhancement – resources provided for community facilities (e.g. playgrounds, habitat enhancements, environmental improvements) and initiatives (e.g. energy efficiency)
- Any other community benefits accepted as appropriate/applicable by the Council's Commercial and Procurement Services department.

Finance and Resources Committee

10am, Thursday, 24 September 2015

Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections

Item number	7.21
Report number	
Executive/routine	Executive
Wards: All Wards	City wide

Executive summary

This report outlines the result of a competitive tender process for a contract for the Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal recycling collections.

The report seeks the approval of the Finance and Resources Committee to award a contract for the Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Recycling Collections from 30 November 2015 to 30 November 2018 with the option to extend for up to two x 12 month periods.

Links

Coalition pledges	P49
Council outcomes	CO18
Single Outcome Agreement	SO4

Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections.

Recommendations

- 1.1 It is recommended that the Finance and Resources Committee approve the appointment of William Tracey Group as contractor for the Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Collections for a period of three years with the option to extend by two x 12 month periods.

Background

- 2.1 The Transport Infrastructure and Environment Committee at its meeting of 15 January 2013 approved the introduction of a twin-stream kerbside recycling collection system and also agreed that the service would be delivered 'in house', subject to the approval of an outline business case demonstrating best value.
- 2.2 The Transport Infrastructure and Environment Committee at its meeting of 27 August 2013 approved the Redesign of Recycling Outline Business Case.
- 2.3 As part of the report, the Committee approved the expansion of communal on-street recycling provision.
- 2.4 On 6 June 2013 the Finance and Resources Committee approved extension of the Kerbside Recycling Collection and Re-processing Contract with Palm Recycling UK to 30 January 2015 and at its meeting of 27 November 2014 a further extension to 30 November 2015.
- 2.5 The first phase of the new kerbside recycling service was rolled out to 20,000 households in September 2014. The fifth and final phase is due for completion in October 2015.
- 2.6 The previous kerbside collection produced some 15,000 tonnes per annum of recyclable materials. Implementation of each phase of the roll-out of the new service has seen varying increases in the tonnage of recyclable material collected, typically of over 70%. The new service has also seen a positive response from residents with over 70% of them participating in recycling.
- 2.7 Approximately 7,000 tonnes per annum of recyclable materials are currently collected from communal recycling banks. Materials collected from communal recycling banks will be subject to the contract.

- 2.8 During the roll-out period, the current collection contractor (Palm Recycling) is continuing the kerbside collection and re-processing service.
- 2.9 On 15 September 2014 John Bury, Acting Director of Services for Communities, approved a Procurement Requirement for the Receipt and Re-processing of up to 36,000 tonnes per annum of Dry Mixed Recyclables from Kerbside and Communal Collections.

Main report

- 3.1 The City of Edinburgh Council requires to procure a contract for the recycling of up to 36,000 tonnes per annum of mixed dry recyclates; paper, cardboard, plastics, cans, glass, textiles, household batteries and small Waste Electrical and Electronic Equipment (WEEE).
- 3.2 Waste Services and Commercial and Procurement Services (CPS) engaged with Scotland Excel with a view to utilising the Scotland Excel Framework Agreement for Recyclable and Residual Waste.
- 3.3 Following a notice of enquiry to Framework members, which attracted four notes of interest, further analysis of the Council's operational requirements led Scotland Excel's Procurement specialists to advise that the Council's mix of materials could not be legitimately accommodated within the terms of the framework, since some materials had their own discrete lots under the framework, with different suppliers on some of them and the WEEE element was subject to an altogether separate framework.
- 3.4 It was decided that advertising a tender opportunity on OJEU through the Public Contracts Scotland portal using the open procedure was appropriate since this would give the opportunity to tender to both Scotland Excel Framework members and non-members.
- 3.5 The potential to collaborate with other Local Authorities was identified. However, a number of these were already under contract or collected differing material mixes and the limited timescale precluded collaboration with others.
- 3.6 CPS advertised the opportunity through Public Contracts Scotland on 29 May 2015 using the open procedure as set out in the Public Contracts (Scotland) Regulations 2012, with a closing date for submission of Tenders of 16 July 2015. On 14 July this was extended to 24 July 2015 in order to allow potential bidders the opportunity to amend bids following the Council's responses to clarification questions.
- 3.7 In order to leave open the opportunity for the Council to participate in the Scottish Government's Materials Brokerage Service which is proposed to become operational in 2017, bidders were invited to submit bids for two durations: three years plus two optional 12-month extensions and five years plus two optional 12-month extensions.

- 3.8 Bidders were asked to complete a pricing schedule using a pre-determined pricing structure using May 2015 market indices and fixed theoretical tonnages, to ensure that all commercial offers were built upon a like-for-like basis using identical base data.
- 3.9 The development of this approach was guided by a number of discussions with other Councils to incorporate their lessons learned from procurement exercises for similar materials. A number of Councils have requested further information on our approach to this contract.
- 3.10 The pre-determined pricing structure is based on a gate fee set against a rebate for each material relative to market prices as published in independent monthly indices. The rebate will be adjusted quarterly to reflect movement in the market prices of the relevant materials. In addition a quarterly analysis of waste will be undertaken to improve both parties understanding of the levels of contamination within the recycle.
- 3.11 It is emphasised that since prices submitted were based on theoretical volumes and proportions of DMR materials and May 2015 market prices, actual prices at the time of the contract start on 30 November 2015 will differ.
- 3.12 Although there is no identical material mix covered by the Scotland Excel Recyclable and Residual Waste Framework, prices for the receipt and processing of broadly similar categories range from £45 to £140 per tonne excluding transport.
- 3.13 In order to avoid the cost of onward transportation of materials, the tender stipulated that a delivery point within 10 miles of the centre of Edinburgh must be included as part of the service.
- 3.14 Suppliers engaged and submitted bids for this opportunity through Public Contracts Scotland tender website.
- 3.15 There were fourteen notes of interest; three organisations submitted bids.
- 3.16 A financial assessment of all bidders was carried out by Corporate Finance; all bidders were confirmed as being of sound financial standing.
- 3.17 Three bidders submitted bids compliant with the advertised Terms and Conditions of Contract. One of these also submitted an additional two variant bids dependent on the Council's agreeing to amend the advertised Terms and Conditions of Contract (T&Cs). The third bidder's single submission also requested amendment of the T&Cs.
- 3.18 Legal Services were consulted and confirmed that bids dependent on variation of fundamental elements of the T & Cs were non-compliant bids and could not be considered. CPS advised that where any such variation was requested the bid should be rejected.

- 3.19 The Evaluation Panel considered the requested variations and the two variant bids submitted by one bidder but these were deemed fundamentally non-compliant and therefore not progressed.
- 3.20 The Evaluation Panel considered that the issues raised by the bidder in the third instance were matters that could be resolved by clarification without varying the fundamental requirements contained within the terms and conditions. Subsequently any contract offer would be dependent on the bidder confirming that the clarifications provided by the Council were acceptable.
- 3.21 All tenders met the mandatory criteria.
- 3.22 Tenders were evaluated using 60% price and 40% quality with the technical (quality) aspect being assessed by officers from Waste Services. The commercial (price) aspect was assessed by officers within Corporate Finance.
- 3.23 Following the quality evaluation of tenders against the published award criteria, submissions were scored as follows:

Bidder	Quality Score	Ranking
Bidder A	36.2	1
Bidder B	25.4	3
William Tracey Group	29	2

- 3.24 Legal Services, Corporate Finance and Waste Services officers assessed the pricing offers submitted, with the most financially advantageous offer being awarded 60% of the overall evaluation marking for price and the remaining offers being scored pro-rata.
- 3.25 None of the bidders differentiated in price or otherwise between the three year plus two years and five year plus two year options they were asked to consider.
- 3.26 On 3 August 2015, bidders were requested to confirm their interpretation of the delivery mechanism described in the contract specification and to revise or confirm the prices submitted.
- 3.27 One bidder confirmed the price submitted. Two bidders submitted revised prices.
- 3.28 Following further clarification of the pricing structure, bidders were again requested to confirm or revise their prices on 31 August 2015. Two bidders confirmed their prices. One bidder submitted a lower revised offer.
- 3.29 The responses received did not affect rankings.

- 3.30 Scores from the price assessment were added to the quality evaluation scores. Final rankings from the combined scores were as follows:

Bidder	Score	Ranking
Bidder A	73.72	2
Bidder B	71.04	3
William Tracey Group	89	1

- 3.31 Since the future use of the Scottish Materials Brokerage Service, should it become available, has the potential to offer improved outcomes in terms of the Council's realising the value of materials collected, it is recommended that the contract be awarded for a period of three years with the option of up to two 12-month extensions. Extensions will be exercised at the Council's discretion.
- 3.32 Officers from Waste Services will be responsible for contract management and will monitor the performance of the contract.

Measures of success

- 4.1 Entering into a contract for the receipt and processing of dry recyclates will provide an outlet for the increased tonnage of recyclable materials derived from the introduction of the new Kerbside Recycling Service and Modernising Waste Collection projects, thus contributing to meeting the Council's current recycling target of 50% and 2020 target of 60%.
- 4.2 Entering into a contract for the receipt and processing of dry recyclates will reduce commercial risk and maximise exploitation of the market value of recyclable materials collected.
- 4.3 The contract will contribute to compliance with the Scottish Government's Zero Waste Plan and the Waste (Scotland) Regulations 2012 which ban any metal, plastics, glass, paper, card and food waste collected separately for recycling from going to incineration or landfill.

Financial impact

- 5.1 The maximum potential value of the contract, including extension, is £8,991,000.
- 5.2 The contract represents a saving of £1,162,800 over the cost of continuing the current recyclables processing arrangements during the contract period.
- 5.3 The pricing structure linked to the recyclable materials market has the potential to realise a net income to the Council should markets improve.
- 5.4 The costs associated with procuring this contract are estimated to be from £10,001 to £20,000.

Risk, policy, compliance and governance impact

- 6.1 Entering into the contract will provide a guaranteed outlet for materials collected.
- 6.2 In the event of a major market failure, the contract terms might become untenable and result in the necessity of either renegotiating at less favourable rates or terminating the contract.
- 6.3 In the event of supplier failure short-term arrangements could be put in place through the Scotland Excel Recycling and Residual Waste framework, although this would potentially require the use of multiple outlets with consequent negative effects on the collection service because of re-routing requirements. The financial impact would be dependent on the reprocessing capacity available within the industry at such a time.
- 6.4 Entering into the contract will ensure compliance with the Public Contracts (Scotland) Regulations 2012 and with the Council's Contract Standing Orders.

Equalities impact

- 7.1 An Equalities and Rights Impact Assessment was carried out. No potential impacts on vulnerable groups were identified.

Sustainability impact

- 8.1 The market-linked pricing structure will serve to encourage the contractor to recover the maximum possible level of recyclable material and minimise the amount of contaminated or rejected material sent for disposal.
- 8.2 Direct delivery to the contractor's facility will obviate double-handling of materials and the current requirement for onward transportation from a transfer/bulking point.

Consultation and engagement

- 9.1 Refuse Collection, other local authorities and Scotland Excel were consulted on technical aspects of the requirement.
- 9.2 As part of the Modernising Waste and Redesign of Recycling Projects, extensive consultations were held with community groups, residents' associations and Zero Waste Scotland.

Background reading/external references

[Modernising Waste Collection in the World Heritage Area, Transport Infrastructure and Environment Committee - 29 November 2011](#)

[Redesign of Recycling Services – Outline Business Case, Transport and Environment Committee - 27 August 2013](#)

John Bury

Acting Director, Services for Communities

Contact: Donald Gillies, Contracts Officer, Waste Services

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Links

Coalition pledges P49 –Continue to increase recycling levels across the city and reduce the proportion of waste going to landfill.

Council outcomes CO18 - We reduce the local environmental impact of our consumption and production.

Single Outcome

Agreement SO4 - Edinburgh's communities are safer and have improved physical and social fabric.

Appendices Appendix A – Summary of Tendering and Tender Evaluation Processes

Appendix A - Summary of Tendering and Tender Evaluation Processes

Contract	CT9710 Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Collections
Contract period (including any extensions)	Five years
Estimated contract value	£1,798,200 (Annual) £8,991,000 (Total)
Standing Orders observed	2.4, 3.2, 4.1, 4.2, 5.1, 5.3, 6.1, 8.1
Portal used to advertise	Public Contracts Scotland Website / OJEU
EU Procedure chosen	Open Procedure
Notes of interest received	Fourteen
Tenders returned	Three
Compliant tenders	Three
Recommended supplier/s	William Tracey Group
Primary criterion	Most Economically Advantageous Offer
Evaluation criteria and weightings	Commercial (Price) 60%, Technical (Quality) 40%. <u>Technical Breakdown</u> Contract Implementation 14% Availability of Resources 10% Acceptance of Materials 10% Recovery and Treatment 25%

	Management Information 5% Quality Assurance 5% Business Continuity 15% Environment 3% Continuous Improvement 5% Equalities 5% Community Benefits 3%
Evaluation Team	Andy Williams, Angus Murdoch, Lesley Sugden, Donald Gillies.

Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Supply and Delivery of Kerbside Recycling Refuse Collection Vehicles

Item number	7.22
Report number	
Executive/routine	
Wards	All

Executive summary

This report seeks Finance and Resources Committee approval to award a contract for the supply and delivery of 10 refuse collection vehicles to Dennis Eagle Limited and FAUN Zoeller (UK) Ltd. It is proposed that the new Contracts will commence on 13 October 2015 for a period of approximately six years with an overall value of approximately £1.57 million.

Links

Coalition pledges	P44 , P49
Council outcomes	CO18 , CO25
Single Outcome Agreement	SO4

Supply and Delivery of Refuse Collection Vehicles

Recommendations

- 1.1 It is recommended that Committee approves the appointment of Dennis Eagle Limited and FAUN Zoeller (UK) Ltd. to supply and deliver refuse collection vehicles (RCVs).
- 1.2 The breakdown of the Contract award is listed below:
 - 26 Tonne RCV Chassis – Dennis Eagle Limited
 - 26 Tonne RCV Body - Dennis Eagle Limited
 - 26 Tonne RCV Bin Lift - FAUN Zoeller (UK) Ltd
 - 18 Tonne RCV Chassis – Dennis Eagle Limited
 - 18 Tonne RCV Body - Dennis Eagle Limited
 - 18 Tonne RCV Bin Lift - FAUN Zoeller (UK) Ltd

Background

- 2.1 The Fleet Replacement Programme is a project which aims, over the next five years, to procure a new fleet of Council vehicles which comply with current environmental standards, and are therefore cheaper to run. This strategy will be delivered to ensure that investments are made on vehicles which are good value for money in terms of purchase costs, but also in terms of whole life costs – an area where the Council is spending excessive amounts of money on maintaining vehicles which are beyond their planned term of usage.
- 2.2 This Programme will help to deliver savings of £1.2 million across Fleet through effective usage of vehicles, reduction in external hires and spare vehicles, and lower maintenance costs through an effective purchasing strategy based on minimising whole life costs.
- 2.3 A high priority within this Programme is the procurement for Refuse Collection Vehicles (RCVs), which are required to support the delivery of the new kerbside recycling service which is to be in place by November 2015. This procurement for Refuse Collection will involve the purchase of 6 x 26 tonne narrow chassis recycling RCVs and 4 x 18 tonne narrow chassis recycling RCVs. The 4 x 18 tonne vehicles will additionally have reinforced floors to facilitate the collection of glass.

Main report

- 3.1 The mini-competition was advertised on Public Contracts Scotland advertising portal on 19 June 2015, utilising the Scotland Excel Heavy and Municipal Vehicles Framework Agreement.
- 3.2 The evaluations were carried out by three Fleet Services Officers, and one Commercial and Procurement Services Officer. The pricing evaluation was undertaken after the completion of the quality evaluation.
- 3.3 A ratio of 70% commercial and 30% technical was used to ensure that suppliers were evaluated on their ability to provide vehicles at competitive rates and to measure their ability to meet high performance requirements.
- 3.4 The vehicles will be procured in three separate parts:
- Body
 - Chassis
 - Bin lift
- 3.5 The Body provider will be the Principal Contractor with Chassis and Bin Lift providers acting as sub contractors to the Principal Contractor.
- 3.6 Suppliers short listed under Lots 1, 7 and 10 of the Framework Agreement were invited to participate in the mini-competition.
- 3.7 The Contract is divided into two separate Lots:
Lot 1 - Supply of 6 x 26 Tonne Kerbside Recycling RCVs
Lot 2 - Supply of 4 x 18 Tonne Kerbside Recycling RCVs
- 3.8 Each Lot was divided into three sub-Lots as follows:

	Lot 1 – 26 Tonne RCV	Lot 2 – 18T RCV
Body	Lot 1A	Lot 2A
Bin-Lift	Lot 1B	Lot 2B
Chassis	Lot 1C	Lot 2C

- 3.9 There are a number of suppliers for the refuse collection bodies and bin-lifting equipment that either supply both, or specialise in one of these two areas.
- 3.10 To generate the maximum competition within this market, these vehicles have been purchased in three distinct parts. This is standard practice for these vehicles.

- 3.11 The Body provider will be responsible for the safe attachment of the Body to the Chassis to meet all legislation and in line with the specification.
- 3.12 The Lot specific breakdown is as follows:
- Lot 1A – If Dennis Eagle Limited is appointed, the estimated value of the six Bodies will be £305,190 (£50,865 per unit)
 - Lot 1B – If FAUN Zoeller (UK) Ltd is appointed, the estimated value of the six Bin Lifts will be £107,700 (£17,950 per unit)
 - Lot 1C – If Dennis Eagle Limited is appointed, the estimated value of the six Chassis will be £553,530 (£92,255 per unit)
 - Lot 2A – If Dennis Eagle Limited is appointed, the estimated value of the four Bodies will be £203,460 (£50,865 per unit)
 - Lot 2B – If FAUN Zoeller (UK) Ltd is appointed, the estimated value of the four Bin Lifts will be £71,800 (£17,950 per unit)
 - Lot 2C – If Dennis Eagle Limited is appointed, the estimated value of the four Chassis will be £329,020 (£82,255 per unit)

Measures of success

- 4.1 Realisation of increased kerbside recycling tonnage from approximately 14,000 tonnes per annum to approximately 27,000 tonnes per annum.
- 4.2 The vehicles will be fitted with Euro VI engines that will improve air quality in terms of Nitrogen Oxide and Particulate Matter.
- 4.3 The new vehicles will be more reliable and so improving the service to the public with reduced vehicle failure.

Financial Impact

- 5.1 The estimated Contract value is £1,570,700 resulting in a saving of £75,168 (4.57%) across all Lots.
- 5.2 This savings figure has been benchmarked through a comparison of list prices from the Scotland Excel Framework with tendered prices derived from this tendering exercise with the optional extras stripped out.
- 5.3 The prices from this tendering exercise compared to the list prices from the Scotland Excel Framework are illustrated in the table below with the savings figures per Lot:

Lot	Scotland Excel – List Price	Tender Submission – Basic Price	Saving per Unit	Overall Savings

1A – 26T Body	£39,260	£36,950*	£2,310	£13,860
1B – 26T Bin Lift	£16,962	£14,950*	£2,012	£12,072
1C – 26T Chassis	£82,870	£78,500*	£4,370	£26,220
2A – 18T Body	£40,022	£37,868*	£2,154	£4,308
2B – 18T Bin Lift	£16,962	£14,950*	£2,012	£8,048
2C – 18T Chassis	£71,165	£68,500*	£2,665	£10,660
Total Saving				£75,168

*Excludes warranty

- 5.4 The whole life costs resulting from this procurement will deliver considerable benefits and savings to the Council. The vehicles procured will be of higher quality resulting in reduced maintenance costs and emissions. There will also be a reduced dependency on the costly practice of utilising spot hire vehicles.
- 5.5 The costs associated with procurement on this contract are estimated at less than £10,000.
- 5.6 An indication of the operating cost difference between the new and the current vehicles with finance within their cost, is a saving of £1,980 per annum for an 18 tonne vehicle and a saving of £2,600 for a 26 tonne vehicle, or £23,520 p.a. across all 10 vehicles.
- 5.7 The annual running costs associated with these vehicles will be contained within the existing Waste Services budget.

Risk, policy, compliance and governance impact

- 6.1 The following risks have been identified as potential issues to the Council as to the successful delivery of the Contract:

Risk	Mitigating Action
Vehicle Performance	The high performance threshold set in the specification has ensured the suppliers are aware of Council expectations. The two preferred bidders have confirmed their ability to meet strict performance criteria.

Quality of Vehicles	There is a risk that vehicles will break down or will be expensive to maintain. This is being mitigated by asking suppliers to price for warranty over the six year period as well as ensuring that tenderers must comply with a high quality specification.
Contingencies for Vehicle Break Downs	Free of charge replacements will be available to cover periods when vehicles are off the road.

- 6.2 A Fleet Services representative will be responsible for Contract Management and will monitor the performance of the vehicles throughout the duration of the Contract.
- 6.3 In the event of vehicles failing to meet quality requirements specified in the Contract, Fleet will ensure that strict Contract Management has minimal effect on Refuse Collection service.

Equalities impact

- 7.1 There is no relationship to the public sector general equality duty to the matters described in this report and no direct equalities impact arising from this report.

Sustainability impact

- 8.1 These vehicles are required to be compliant with the current regulations and have the latest emission reduction technology, reducing the impact of Council fleet on air quality.
- 8.2 To meet the Council's air quality and carbon management commitments, the vehicles are required to be compliant with Euro VI standards. Euro VI engines produce 90% less particulates and Nitrogen Oxide than the Euro V engines.

Consultation and engagement

- 9.1 Refuse Collection managers, along with Fleet Maintenance, have engaged with Commercial and Procurement Services throughout this procurement exercise.
- 9.2 A tendering exercise was undertaken through a mini-competition utilising the Scotland Excel Heavy and Municipal Vehicles Framework Agreement taking forward the following Framework evaluation criteria:
- 70% - Commercial
 - 30% - Technical

9.3 The criteria used to determine the preferred supplier utilised this ratio, in order to determine the most economically advantageous suppliers by Lot.

Background reading/external references

None required.

John Bury

Acting Director for Services for Communities

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Links

Coalition pledges	P44 – Prioritise keeping our streets clean and attractive P49 – Continue to increase recycling levels across the City and reducing the proportion of waste going to landfill
Council outcomes	CO18 – Green – we reduce the local environmental impact of our consumption and production CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric.
Appendices	Appendix 1 – Summary of Tendering and Tender Evaluation Process

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	Supply and Delivery of Kerbside Recycling Refuse Collection Vehicles Ref: CT3004					
Contract Period	October 2015 – September 2021 (six years)					
Estimated Contract Value Across All Lots	£1,570,700					
Estimated Savings Across All Lots	£75,168 (4.57%) + £23,520 per annum from year 2					
Standing Orders Observed	<p>2.4 EU Principles applied</p> <p>2.7 Commercial and Procurement Manager provided resource to undertake tendering</p> <p>3.1 Director has responsibility for selecting and appointing contractors</p> <p>3.2 Director has responsibility for all Contracts tendered and let by their Directorate</p> <p>5.1 Tenders were evaluated on the basis of most economically advantageous criteria</p> <p>5.3 Tenders evaluated by a panel with the appropriate technical knowledge and expertise</p> <p>6.1 Standstill period will be observed</p>					
EU Procedure Chosen						
	Lot 1A	Lot 1B	Lot 1C	Lot 2A	Lot 2B	Lot 2C
Invitations to Tender Issued	14	14	14	14	14	14
Tenders Returned	2	3	1	2	3	1
Tenders Fully Compliant	1	2	1	1	2	1
Recommended Supplier	1	1	1	1	1	

Primary Criteria	<p>Most economically advantageous tender to have met the qualitative and technical specification of the client department.</p> <ul style="list-style-type: none"> • 70% Commercial • 30% Technical 		
Evaluation Team Across All Lots	<ul style="list-style-type: none"> • 3 Fleet Staff • 1 CPS Staff 	•	•
Procurement Advisors	<ul style="list-style-type: none"> • 2 CPS Staff 	•	•

Finance and Resources Committee

10am, Thursday, 24 September 2015

Liberton High School Extension – Award of Contract

Item number	7.23
Report number	
Executive/routine	Executive
Wards	Liberton/Gilmerton

Executive summary

This report seeks the approval of the Committee to award the contract for the construction of the extension to Liberton High School sports hall to Ashwood Scotland Limited for the contract sum of £2,157,068.58 following a competitive tender process to identify the most economically advantageous tenderer.

Links

Coalition pledges	P03
Council outcomes	C01 and C02
Single Outcome Agreement	S03

Liberton High School Extension – Award of Contract

Recommendations

- 1.1 Approve the award of the contract for the construction of the extension to Liberton High School sports hall to Ashwood Scotland Limited for the contract sum of £2,157,068.58

Background

- 2.1 On [26 June 2014](#) Council approved the demolition of the existing gym block at Liberton High School and the provision of replacement physical education (PE) facilities through extending the separate building within which the other PE facilities at the school are currently provided.
- 2.2 On [21 August 2014](#) Council approved gross capital expenditure of up to £2.5m to provide the replacement PE facilities; welcomed the significant funding contribution of two-thirds of the gross capital expenditure up to a maximum contribution of £1,666,667 which Scottish Government has offered towards the cost of providing the facilities and approved that the balance of funding required of up to £833,333 be met from the additional General Capital Grant identified for 2015/16.
- 2.3 Council also requested a report investigating funding and delivery options for both phases (to include a second phase relating to additional PE accommodation which might be required at the school in the future), including possible options for dual delivery. On [30 September 2014](#) the Finance and Resources Committee approved that the original proposal be progressed as there was no necessity to deliver any additional PE facilities and the cost of doing so would be significant.
- 2.4 Detailed designs have been developed for the new extension for which planning permission was granted on 17 December 2014.
- 2.5 Following the completion of an initial pre qualification process, an Invitation to Tender was issued to five contractors on 19 May 2015. The tender review and evaluation period was concluded on 21 August 2015.
- 2.6 The purpose of this report is to seek the approval of the Committee to award the contract for the construction of the extension to Liberton High School sports hall to Ashwood Scotland Limited for the contract sum of £2,157,068.58.

Main report

- 3.1 The City of Edinburgh Council wishes to appoint a suitably qualified and experienced contractor to act as principal contractor for the extension of Liberton High School sports hall.
- 3.2 Commercial and Procurement Services conducted the tender and evaluation process in accordance with Council Standing Orders and Public Procurement (Scotland) 2012 Regulations.
- 3.3 Commercial and Procurement Services, in conjunction with the Building Programmes Team, undertook a full tender exercise by placing a contract notice on the Public Contracts Scotland Portal as a two stage procedure on 9 March 2015.
- 3.4 Twenty seven organisations noted their interest in the contract and were able to download the Pre Qualification Questionnaire (PQQ) documentation attached to the Notice. Eleven organisations submitted PQQs.
- 3.5 The aim of the PQQ evaluation process was to allow the Council to identify suitably qualified and experienced bidders to be invited to tender by considering their financial stability, technical capability, capacity and compliance with certain mandatory criteria. As a result of the PQQ process five bidders were selected to be invited to tender.
- 3.6 In the invitation to tender it was stated that the contract would be awarded on the basis of the most economically advantageous tender with 20% of the overall score being given to quality and 80% given to price. This ratio, and the bias towards cost, was determined due to the requirement to deliver high quality and allow suitable evaluation of the contractor's processes and procedures with a particular focus on community benefits.
- 3.7 The five bidders selected at the PQQ stage were then invited to bid with the tender documentation being issued to them on 19 May 2015; the tenders were returned on 30 June 2015. Four organisations submitted tenders.
- 3.8 The four tender submissions received were evaluated individually by the three members of the evaluation team to determine a score for quality. In accordance with the agreed ratio the weighted maximum score for quality was 20. Seven evaluation criteria areas were identified, each having different weightings and being scored between 0 and 10 in accordance with the evaluation criteria scoring definitions which had been included in the tender instructions issued to the bidders. Further details of the procurement process, including the members of the evaluation team and the seven quality evaluation criteria and their respective weightings, are provided in Appendix 1.
- 3.9 On completion of the individual evaluation process a consensus meeting was held which was attended by the members of the evaluation team and the contract administrator from Commercial and Procurement Services. Individual evaluation criteria scores were reviewed and debated and a consensus score

reached for each bidder. The appropriate weighting was then applied to each of the individual evaluation criteria to arrive at a final quality score.

- 3.10 A threshold of 50% of the total available marks for quality was set to ensure that any bidder failing to provide a satisfactory response to the published evaluation criteria identified within the tender documentation would not be considered further and would not have their pricing bid opened.
- 3.11 Following completion of the quality analysis as all bidders had achieved the minimum threshold score of 50% for quality, their pricing bids were opened and subjected to a cost analysis. These were evaluated by the external cost consultants, Gardiner and Theobald Ltd, via an assessment of the priced bill of quantities which formed part of the tender returns.
- 3.12 Following completion of the cost analysis, it was identified that a value engineering exercise would be required as all pricing bids exceeded the construction budget. An addendum identifying some minor amendments to specification was issued to the four bidders on 31 July 2015 with a return date of 14 August 2015.
- 3.13 The value engineering exercise successfully reduced pricing bids to an acceptable level and the cost analysis was completed. The lowest priced tender was awarded the maximum score of 80 for price. All other bids were then scored on a pro-rata basis against this lowest bid i.e. for each of the other bids the lowest bid price was divided by that bid price and multiplied by the maximum score of 80.
- 3.14 The quality scores were then combined with the scores from the cost analysis to derive an overall score for each bidder out of a maximum of 100. The results are detailed in the table below.

Bidder	Quality Score	Price Score	Total Score
Ashwood Scotland Ltd	14.70	80.00	94.70
Bidder 2	15.10	75.16	90.26
Bidder 3	13.10	73.34	86.44
Bidder 4	14.50	69.86	84.36

- 3.15 The bidder with the highest overall score which represents the most economically advantageous tender is Ashwood Scotland Limited who provided satisfactory responses to all elements of the award criteria and met all mandatory criteria for insurance levels, trade qualifications, financial stability and business probity.
- 3.16 It is therefore recommended that the contract for the construction of the new Liberton High School sports hall extension be awarded to Ashwood Scotland Limited for the contract sum of £2,157,068.58.

Measures of success

- 4.1 Delivery of the new extension to Liberton High School Sports Hall on time, within budget and to the necessary quality.

Financial impact

- 5.1 The approved budget for the project is £2.5 million and the recommended contract value can be accommodated within this budget.
- 5.2 The costs associated with procuring this contract are estimated to be between £10,001 and £20,000.

Risk, policy, compliance and governance impact

- 6.1 There are no negative risk, policy, compliance and governance impacts arising from this report.

Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report.

Sustainability impact

- 8.1 The Council has a Community Benefits in Procurement Programme and, as part of the evaluation process, Ashwood Scotland Limited has committed to the following community benefits:
- Local Community Engagement: Liberton High School is in the process of further constructing their mountain bike trail for use by the school and local community. There is a team consisting of corporate volunteers, teachers and pupils currently working to finish this trail. Ashwood Scotland Limited has agreed to support the completion of this by undertaking works and providing free materials required to complete.
 - Two work experience placements for a minimum of five days for Liberton High School pupils from S3-S6, including looked after or supported children.
 - Support and engagement for appropriate Curriculum for Excellence classes including talks on Health & Safety in construction, promotion of women in construction, etc.
 - Meeting with the school representatives to discuss further opportunities for Community Benefits and Engagement.
- 8.2 It is also a requirement that Ashwood Scotland Limited ensures the use of sustainable timber based on the Council's timber monitoring sheet.

Consultation and engagement

- 9.1 Extensive consultation and engagement has been undertaken with the staff, Parent Council, neighbours and Community Council throughout the process.
- 9.2 During the construction period, in order to ensure that the neighbours on the east side of the site in particular are kept fully apprised of progress and that any disruption to them is minimised, the contractor has been given special duties within the contract for liaison as follows:
- Project newsletter to neighbours every two weeks.
 - Contractor to hold neighbourhood meetings at start, middle and end of contract.
 - Community liaison officer to be appointed to the project to manage communication and deal with any neighbours' issues.

Background reading/external references

There have been three previous reports on this matter; to Council on [26 June 2014](#) and [21 August 2014](#) and to the Finance & Resources Committee on [30 September 2014](#).

Gillian Tee

Executive Director of Communities and Families

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Links

Coalition pledges	P3 - Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools.
Council outcomes	C01 - Our children have the best start in life, are able to make and sustain relationships and are ready to succeed. C02 - Our children and young people are successful learners, confident individuals and responsible citizens making a positive contribution to their communities.
Single Outcome Agreement	S03 - Edinburgh's children and young people enjoy their childhood and fulfil their potential.
Appendices	Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Principal contractor for the new Liberton High School sports hall extension
Contract period	Period of construction
Contract value	£2,157,068.58
Standing Orders observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	www.publiccontractsscotland.co.uk
EU Procedure chosen	Restricted
Invitations to tender issued	Five
Tenders returned	Four
Tenders fully compliant	Four
Recommended supplier	Ashwood Scotland Limited
Primary criterion	Most economically advantageous tender to have met the qualitative and technical specification of the client department
Evaluation criteria and weightings	<p><u>Quality Weightings</u></p> <ol style="list-style-type: none"> 1. Project Delivery Team - 25% 2. Programme and Narrative – 20% 3. Management Plan and Communications – 15% 4. Risk Register – 10% 5. Community Benefits and Engagement – 15% 6. Sustainability Development – 5% 7. Health & Safety – 10%
Evaluation Team	<p>Project Manager Major Works, Services for Communities, CEC</p> <p>Architectural Manager, Services for Communities, CEC</p> <p>Quantity Surveyor, Gardiner & Theobald</p> <p>CDM Co-Ordinator, Services for Communities</p> <p>– scored Health & Safety only</p>