

Notice of meeting and agenda

Finance and Resources Committee

10.00am, Thursday 29 September 2016

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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Tel: 0131 529 4283 / 0131 529 4325



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 Edinburgh Tenants Federation in respect of Item 7.11 - Tenant Participation and Engagement Services Update – referral report from the Health, Social Care and Housing Committee (circulated)

4. Minutes

- 4.1 Minutes of the Meeting of 8 September 2016 (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 Transformation Programme: Progress Update – report by the Chief Executive (circulated)
- 7.2 Asset Management Strategy Transformation Programme - Update – report by the Acting Executive Director of Resources (circulated)
- 7.3 Governance of Major Projects: progress report – report by the Chief Executive (circulated)
- 7.4 Managing Workforce Change – Workforce Dashboard – report by the Acting Executive Director of Resources (circulated)

- 7.5 The City of Edinburgh Council – Report to those Charged with Governance on the 2015/16 Audit – referral report from the Governance, Risk and Best Value Committee (circulated)
- 7.6 The City of Edinburgh Council Charitable Trusts – Report to those Charged with Governance on the 2015/16 Audit – report by the Acting Executive Director of Resources (circulated)
- 7.7 Revenue and Capital Budget Framework 2016/20 – mid-year review – report by the Acting Executive Director of Resources (circulated)
- 7.8 Internal Audit Quarterly Update Report: 1 January 2016 – 31 March 2016 – referral report from the Governance, Risk and Best Value Committee (circulated)
- 7.9 Provision of a Stair Cleaning Service to Domestic Properties from 2016-2020 – report by the Executive Director of Place (circulated)
- 7.10 Award of Contract for the Supply and Delivery of Aluminium Street Lighting Columns – report by the Executive Director of Place (circulated)
- 7.11 Tenant Participation and Engagement Services Update – referral report from the Health, Social Care and Housing Committee (circulated)

8. Routine decisions

- 8.1 Proposed Lease Extension at Unit 2, 72-78 Niddrie Mains Road, Edinburgh – report by the Acting Executive Director of Resources (circulated)
- 8.2 Proposed New Lease at Unit 3 West Shore Business Centre, Long Craig Rigg, Edinburgh – report by the Acting Executive Director of Resources (circulated)

9. Motions

- 9.1 If any

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

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 Ross (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 Aileen McGregor, 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 4325 or e-mail veronica.macmillan@edinburgh.gov.uk / aileen.mcgregor@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: Clare MacGillivray
Sent: 14 September 2016 13:58
To: Veronica Macmillan
Subject: Request for Deputation to F&R 29/09.2016

Item 3.1

Hi Veronica

I am writing to request a deputation on behalf of Edinburgh Tenants Federation for the Finance and Resources Committee on Thursday 29th September 2016.

This will be in relation to agenda item 7.1 Procurement of Tenant Participation and Engagement Services referred from the Health Social Care and Housing Committee on 13th September.

Warm Regards,

Clare

Clare MacGillivray
Development Coordinator
Edinburgh Tenants Federation

Item 4.1 - Minutes

Finance and Resources Committee

10.00am, Thursday 8 September 2016

Present

Councillors Rankin (Convener), Bill Cook (Vice-Convener), Corbett, Doran (substituting for Councillor Godzik), Edie, Griffiths, Bill Henderson, Jackson, Keil (substituting for Councillor Ricky Henderson), McVey, Ritchie (substituting for Councillor Dixon) and Whyte.

1. Minutes

Decision

To approve the minute of the Finance and Resources Committee of 18 August 2016 as a correct record.

2. Business Bulletin

Decision

To note the Finance and Resources Committee Business Bulletin.

3. Key Decisions Forward Plan

The Finance and Resources Committee Key Decisions Forward Plan from 8 September 2016 to 29 September 2016 was submitted.

Decision

To note the Key Decisions Forward Plan from 8 September 2016 to 29 September 2016.

(Reference – Finance and Resources Committee Key Decisions Forward Plan, submitted.)

4. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log for 27 August 2015 to 18 August 2016 was submitted.

Decision

1) To note that Items 3, 4 and 8 had been closed.

- 2) To agree that the Rolling Actions Log would be updated to reflect when briefing notes had been circulated to elected members.

(Reference – Rolling Actions Log, submitted.)

5. Consultant Costs 2015/16

Details were provided of expenditure on consultants for the provision of professional services during 2015/16. Revenue expenditure of £6.906m and capital expenditure of £2.779m was incurred on consultants for the year ended 31 March 2016 which was contained within approved budget resources for 2015/16.

Decision

- 1) To note revenue and capital expenditure incurred on the provision of professional services in 2015/16.
- 2) The progression towards the delivery of the Council's Transformation Programme savings targets and development of major capital infrastructure projects, with the engagement and support of professional service providers.
- 3) To agree that the Acting Executive Director of Resources would revisit the definition of 'Consultants' and would consider categorising them for future reports.

(References – Finance and Resources Committee, 18 August 2016 (item 26); report by the Acting Executive Director of Resources, submitted.)

6. Managing Workforce Change – Workforce Dashboard

Committee considered a report that provided monitoring information on the number of employees exiting the organisation through voluntary severance arrangements, the associated annualised cost savings, the number of staff that had accessed support from the Career Transition Service (CTS), the number of surplus staff and associated costs and a summary of the latest available information on Council wide staffing numbers, sickness absence, agency expenditure and vacancies.

Decision

To note the progress made to date.

(References – Finance and Resources Committee, 9 June 2016 (item 7); report by the Acting Executive Director of Resources, submitted)

7. Approval to Award Contract for Business Travel

Approval was sought to award a contract to Redfern Travel Limited (Redfern) for business travel services for a period of three years with the option to extend the contract for a further 12 months.

Decision

To approve the award of the contract for the delivery of an on-line booking service for all Council business travel to Redfern Travel Limited. The contract would be awarded

on 10 September 2016 and would operate for a period of 3 years, with the option to extend for a further period of twelve months.

(Reference – report by the Acting Executive Director of Resources, submitted)

8. Contractor Works Framework – Award of Contract

Committee considered a report that required approval to award a multi-lot framework agreement following a competitive tendering process. The framework consisted of 12 lots for an undefined programme of capital works to support the Council in delivery of its construction, maintenance and repair programmes.

Decision

- 1) To approve the award of Lot 1 – Electrical Installation Works to Arthur McKay & Co Ltd, Dacoll (Electrical Contracting) Ltd, FES Ltd, McGill, Nicholson Bros (Electrical Contractors) Ltd and Skanska FM Ltd at an estimated contract value of £1,250,000 per annum.
- 2) To approve the award of Lot 2 – Mechanical Installation Works to Arthur McKay and Co Ltd, FES Ltd, McGill and Skanska FM Ltd at an estimated contract value of £1,800,000 per annum.
- 3) To approve the award of Lot 3 Roofing and Rainwater Works to Advance Construction Ltd, Clark Contracts Ltd, G. Grigg and Sons, James Breck Ltd, Watson and Lyall Ltd and Zenith at an estimated contract value of £4,000,000 per annum.
- 4) To approve the award of Lot 4 Timber /uPVC Windows, Doors & Screens to Ashwood Scotland Ltd, Clark Contracts Ltd, Cornhill Building Services Ltd, Lakehouse Contrats Ltd and Watson and Lyall at an estimated contract value of £4,200,000 per annum.
- 5) To note that Lot 5 Curtain Walling, Windows, Doors and Screens would be re-tendered due to lack of market interest and would be subject to a further Committee report at a later date.
- 6) To approve the award of Lot 6 Multi-Trade Works Packages up to £500,000 in individual value to Ashwood Scotland Ltd, Cornhill Building Services Ltd, Clark Contracts, Maxi Construction, McGill and Morris and Spottiswood at an estimated contract value of £8,000,000 per annum.
- 7) To approve the award of Lot 7 Multi-Trade Works Packages between £500,001 - £5,000,000 in individual value to CCG Ltd, Central Building Contractors (Glasgow) Ltd, ESH Construction, Graham construction, Lakehouse Contracts Ltd and Maxi Construction at an estimated contract value of £12,000,000 per annum.
- 8) To approve the award of Lot 8 Multi-Trade Works Packages above £5,000,000 in individual value to BAM Construction, CCG Ltd, Central Building Contractors (Glasgow) Ltd, Graham Construction, McLaughlin and Harvey and Morgan Sindall at an estimated contract value of £20,000,000 per annum.

- 9) To approve the award of Lot 9 Stonework and Masonry Works to Cornhill Building Services, G Grigg and Sons, Go Wright, Historic Property Restoration, James Breck Ltd and Zenith at an estimated contract value of £4,000,000 per annum.
- 10) To approve the award of Lot 10 Groundworks, Civil works and Concrete Repairs to Crummock Scotland Ltd, Advance Construction Ltd, Luddon Construction, MacKenzie Construction and Premier One at an estimated contract value of £125,000 per annum.
- 11) To note that Lot 11 Timber Treatment Works would be re-tendered due to lack of market interest and would be subject to a further Committee report at a later date.
- 12) To approve the award of Lot 12 Water Treatment and Legionella Management Works to Caledonia Heating, Envirocure, GBS Building Service Ltd, HSL Compliance Ltd, Integrated Water Services Ltd and SPIE Ltd at an estimated contract value of £425,000 per annum.
- 13) To note that the contact values above were reflective of historical spend on these services over the previous four financial years, and that the scope of works may fluctuate subject to budget allocation and funding approvals.
- 14) To delegate authority to the Director or Head of Service of the relevant Directorate in line with the Scheme of delegation for the awarding of mini competitions which were undertaken using the framework and to note that these awards would be reported to Finance and Resources Committee under the quarterly procurement report for Awards of Contract.

(Reference – report by the Acting Executive Director of Resources, submitted)

9. Contract Award for the Supply of Tablet Devices from 20 June 2016 to 19 June 2020

Details were provided of a report that required approval to award a contract to XMA Ltd for the supply of tablet devices to the Council from 20 June 2016 to 19 June 2020. This was the adoption of the single-supplier Scottish Procurement Framework.

Decision

To approve the award of a contract to XMA Ltd for the supply of Tablet Devices and associated accessories from 20 June 2016 to 19 June 2020 with an approximate spend of £4,000,000.

(Reference – report by the Acting Executive Director of Communities and Families, submitted)

10. Waivers – Independent Advocacy contracts

Approval was sought for waivers to allow the extension of contracts for the delivery of independent advocacy services.

Decision

To waive the requirement in Contract Standing Orders and agree to further extend the existing contracts for Independent Advocacy Services with Partners in Advocacy and Advocard from 1 December 2016 to 30 June 2017 in order to allow more time for the completion of the procurement process and in particular consultation and engagement with service users and providers.

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

11. Contracts Awarded Under Delegated Authority (Waiver Reports) and Procurement Activity

An update was provided on the contracts awarded between 1 April 2016 and 30 June 2016. The report detailed those contracts awarded following waiver of the Council's Contract Standing Orders (CSO's), those awards exempt from waiver and the contract awarded with a value below the threshold that required Committee approval.

Decision

To note the report and the authorisations made under delegated authority.

(Reference – Finance and Resources Committee, 9 June 2016 (Item 10); report by the Acting Executive Director of Resources, submitted)

12. Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

An update was provided on the progress of the Programme Momentum and the Edinburgh Shared Repairs Service (ESRS).

Decision

- 1) To note the management information dashboard reports in Appendix 1 of the report.
- 2) To note the progress of debt recovery work.
- 3) To note the progress of the settlement process.
- 4) To note the update on the cancelled unimplemented statutory notices.
- 5) To note the update on the implementation of the Edinburgh Shared Repairs Service (ESRS).
- 6) To agree that future reports would be considered by the Property Sub-Committee and the frequency of reports to the Sub-Committee should be quarterly.
- 7) To agree that quarterly updates on Property Conservation would be reported in the Finance and Resources Committee Business Bulletin.

(References – Finance and Resources Committee, 18 August 2016 (item 26); report by the Acting Executive Director of Resources, submitted)

13. Resolution to Consider in Private

The Committee agreed under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 6, 12 and 14 of Part 1 of Schedule 7(A) of the Act.

14. Miscellaneous Debt – Write Off

Details were provided of outstanding miscellaneous debt that was deemed uncollectable and was recommended for write-off. All possible methods of recovery had been attempted and the debt remained outstanding.

Decision

- 1) To approve the write-off of miscellaneous debt of £439,512.14.
- 2) To note the position on the use of registered inhibitions as part of the debt recovery process.

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

15. Property Insurance – Terrorism Cover

Details were provided of the Council's insurance against terrorism cover.

Decision

Detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

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

16. Tron Kirk – Update Report

The Convener ruled in terms of Standing Order 27(1)(a), that this item, which included an option which, if accepted, would require a change to the Finance and Resources Committee item 18 of 18 August 2016, should be considered as there had been a material change of circumstances.

On 18 August 2016, the Finance and Resources Committee considered a report on the lease at the Tron Kirk. Instructions were sought over the short term lease options for the property and a Coalition Motion was approved. An update was provided on the implementation of the motion and clarified a number of associated issues.

Decision

- 1) To note the report.
- 2) To agree that the property would not be marketed at present in light of the practical outcome of the legal considerations noted in the Motion approved on 18 August 2016.

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

Item 6.1 - Key decisions forward plan

Finance and Resources Committee

[29 September – 3 November 2016]

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
1.	People Strategy	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Katy Miller , Head of HR	
2.	Managing Workforce Change – Workforce Dashboard	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Katy Miller , Head of HR	
3.	Revenue Monitoring 2016/17: Half-Year Position	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Fraser Rowson , Principal Accountant	
4.	Capital Monitoring 2016/17: Half-Year Position	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Sat Patel , Senior Accountant	
5.	Contract Award for Interpretation and Translation Services	3 November 2016		Hugh Dunn, Acting Executive Director of Resources	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
				Lead Officer: Neil Jamieson	
6.	Proposed 10yr lease at 86-88 Niddrie Mains Road, Edinburgh	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Peter Watton , Acting Head of Property	
7.	Inch House Community Centre	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Peter Watton , Acting Head of Property	
8.	Portobello Toddler's Hut, 28 Beach Lane	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Deborah Bruce , Estates Surveyor	
9.	Proposed new Leases (x3) at Peffermill Industrial Estate, King's Haugh	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Andrew McCurrach , Estates Surveyor	
10.	Sale of Amenity Land adjoining 2 Longstone Grove	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Chris Jayne , Estates Surveyor	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
11.	Sale of Amenity Land adjoining 12 Firrhill Drive	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Chris Jayne , Estates Surveyor	
12.	Proposed 25 year lease of part of Market Street Undercroft	3 November 2016		Hugh Dunn, Acting Executive Director of Resources Lead Officer: Mark Bulloch , Senior Estates Surveyor	
13.	Replacement of the Salvesen Steps on the River Almond	3 November 2016		Paul Lawrence, Executive Director of Place Lead Officer: David Jamieson , Parks and Greenspace Manager	
14.	Contract Award for Dry Mix Recycling	3 November 2016		Paul Lawrence, Executive Director of Place Lead Officer: Gareth Barwell , Waste & Cleansing Manager	
15.	Management of the Almond Weirs for Fish Migration	3 November 2016		Paul Lawrence, Executive Director of Place Lead Officer: David Jamieson , Parks and Greenspace Manager	
16.	Award of Contract for Consultancy Services - Corstorphine Parking	3 November 2016		Paul Lawrence, Executive Director of Place Lead Officer: Andrew MacKay , Professional Officer	
17	Procurement of large events in three Edinburgh parks	3 November 2016		Paul Lawrence, Executive Director of Place Lead Officer: David Jamieson , Parks and	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
				Greenspace Manager	
18.	Homelessness Prevention Commissioning Plan - Extension of Contract and Procurement Options	3 November 2016		Michelle Miller, Head of Service & Chief Social Work Officer Lead officer: michelle.miller@edinburgh.gov.uk	
19.	Transformation Programme Update	3 November 2016		Andrew Kerr, Chief Executive Lead Officer: Kirsty-Louise Campbell , Interim Head of Strategy & Insight	

Item 6.2 - Rolling Actions Log

Finance and Resources Committee

29 October 2015 – 8 September 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	RAG Status	Comments
1	27-08-15	Proposed 25 Year Lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh	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.	Acting Executive Director of Resources	Not specified	8 September 2015	G	Update provided in the F+R Committee Business Bulletin of 8 September 2016 meeting – closed.

2	29-10-15	Redhall House and Lawn - Progress Report	To request an update report was brought to the Finance and Resources Committee at the conclusion of the planning process.	Acting Executive Director of Resources	Feb 2017		A	An update report would be provided at the conclusion at the appeal process for the Redhall House planning application – ongoing.
3	12-05-16	Scotland's Energy Efficiency Programme	To circulate a briefing note to members on the progress with the establishment and operation of the Energy Improvement Unit.	Executive Director of Place	As soon as possible	8 September 2016	G	Briefing note circulated to Finance and Resources Committee members on 6 September 2016 – closed.

4	18-08-16	Transformation Programme :Progress Update	<p>1) To agree that the VERA cost benefit analysis chart would be amended in future report to reflect the full year savings for leavers.</p> <p>2) To agree that a complete picture of staff and vacancies in each locality would be presented to Committee by the end of September 2016.</p>	Chief Executive	30 September 2016	29 Sept 2016	G	Information included in the report to the F+R Committee of 29 Sept 2016 – closed.
5	18-08-16	Managing Workforce Change - Workforce Dashboard	To provide a briefing note to the Convener and Vice-Convener of the Finance and Resources Committee on sickness absence figures.	Acting Executive Director of Resources	As soon as possible	8 Sept 2016	G	Sickness absence figures included in the report to F+R on 8 September 2016 – closed.

6	18-08-16	Re-employment and Re-engagement of Staff	To agree that a B agenda report would be brought back to Committee in November 2016 dealing with the exceptional circumstances surrounding the re-employment of staff within less than a year of leaving the Council and the policy related to this.	Acting Executive Director of Resources	3 November 2016		A	Ongoing
7	18-08-16	Former Tenants Rent Arrears 2015-16	To agree that an analysis would be provided of the impact of universal credit on rent arrears to members.	Executive Director of Place	As soon as possible	9 September 2016	G	Briefing note circulated to elected members on 9 September 2016 – closed
8	18-08-16	Property Repairs and Maintenance Contract Update	To agree that the internal audit report would be circulated to all elected members of the Council by Committee Services.	Committee Services	As soon as possible		A	

9	18-08-16	Contract Award Under Urgency procedure - Edinburgh Schools - Schools Transport	<p>1) To agree that the Executive Director of Resources would investigate why local bus companies were not recruited.</p> <p>2) To agree that a report would be brought back to Committee with details of all costs required to be recovered in relation to schools.</p>	<p>Acting Executive Director of Resources/ Acting Executive Director of Communities and Families</p>	As soon as possible	Nov 2016	A	A report would be brought back to the F+R Committee on 3 November 2016 – ongoing.
10	18-08-16	Edinburgh Shared Repairs Service - Evaluation of the Pilot	<p>1) To agree that a detailed list of how the legislation related to Property Conservation could be improved would be produced and fed back to the Scottish Government.</p> <p>2) To agree that issues related to Property Conservation would be considered at a future meeting of the Property Sub-Committee.</p>	Acting Executive Director of Resources	As soon as possible	Dec 2016	A	A report would be considered by the Property Sub-Committee on 3 October 2016 – ongoing.

11	18-08-16	Proposed 10 year lease at 86-88 Niddrie Mains Road, Edinburgh	To continue the report to the November Committee (or to bring back the report sooner, if possible) to allow community groups to be consulted on options for the lease of 86-88 Niddrie Mains Road and for the development of a business case for a possible CCTV community hub.	Acting Executive Director of Resources	3 November 2016 or sooner if possible	Nov 2016	A	Ongoing
12	18-08-16	Proposed sale of site Ardmillan Terrace, Edinburgh	To continue the report to allow discussion between the Chief Executive of the Council and the Chief Executive of the NHS to resolve outstanding issues.	Chief Executive/ Acting Executive Director of Resources		Dec 2016	A	Ongoing
13	08-09-16	Managing Workforce Change - Workforce Dashboard	To agree that an extract of information on reviews from the Transformation Programme Progress report should be circulated to elected members as a briefing note.	Chief Executive/ Acting Executive Director of Resources	As soon as possible		A	

14	08-09-16	Contracts Awarded under Delegated Authority (Waiver Reports) and Procurement Activity	A briefing note to be provided to elected members in respect of new regulations and clarification of legal responsibilities in respect of procurement.	Acting Executive Director of Resources	As soon as possible	21 Sept 2016	G	Briefing note circulated to members – closed.
15	08-09-16	Property Conservation - Programme Momentum Progress Report Edinburgh shared Repairs Service	A briefing note to be provided to elected members on the variation of approx. £300,000 detailed in Project Joule.	Acting Executive Director of Resources	As soon as possible	21 Sept 2016	G	Briefing note circulated to members – closed.
16	08-09-16	Lease at Tron Kirk, Edinburgh (B agenda item)	<p>1) To agree that the internal audit review referred to in paragraph 3.9 be reported back to Committee as soon as it was completed.</p> <p>2) To agree that the Acting Head of Corporate Property and the Interim Head of Legal and Risk would investigate the various breaches in relation to the lease of the Tron Kirk since</p>	Acting Executive Director of Resources	As soon as possible		A	

			<p>November 2015 and to confirm that these had been followed through.</p> <p>3) To agree that the Interim Head of Legal and Risk would discuss improving working arrangements between Corporate Property, Legal and Regulatory departments at the Corporate Leadership Team meeting.</p>				A	
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Red – Action has not been completed within timescales indicated.

Amber – Action is in Progress.

Green – Action has been completed and recommended for closure.

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

Transformation Programme: Progress Update

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

This report provides the Finance and Resources Committee with a single, consolidated status update on the Council Transformation Programme, aimed at delivering a lean and agile Council, centred on customers, services and communities. This report provides details of progress to date with the implementation of organisational reviews and their associated savings targets. It also provides details of the Transformation delivery plan going forward. The programme management information dashboards for the month to 15th September are included.

Links

[Coalition pledges](#)
[Council outcomes](#)
[Single Outcome Agreement](#)

Transformation Programme: Progress Update

Recommendations

- 1.1 Note the progress to date with organisational reviews and the associated savings as set out in this report and at Appendix 1;
- 1.2 Note the details and timing of the Transformation Delivery Plan, as set out in paragraphs 3.14 – 3.35;
- 1.3 Note the progress to date with the implementation of the localities model and the locality staffing structures attached as Appendix 2; and
- 1.4 Note the management information dashboards for the month to 15 September 2016 attached at Appendix 3.

Background

- 2.1 The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council has developed a Transformation Programme aimed at building a lean and agile organisation, centred on customers, services and communities.
- 2.2 On 25 June 2015, Council approved a report on the Transformation Programme which set out the future operating model for the Council. The Transformation Programme was then tasked with delivering £77 million in savings through the implementation of this new model.
- 2.3 This report highlights the following:
 - Progress to date with the realisation of savings through organisational reviews, including the successful realisation of the £28 million savings associated with the initial set of reviews;
 - Plans for the delivery of the remaining Transformation Programme financial savings;
 - Progress with the implementation of the localities model; and
 - Management information dashboards for the month to 15 September 2016

Transformation Programme Savings

- 3.1 In October 2015, the Finance and Resources Committee approved a report which set out the level of savings to be achieved through the Transformation Programme.
- 3.2 The Transformation Programme was tasked with delivering savings of £77 million, broken down as follows:
 - £6 million from Asset Management;
 - £7 million from Payments to Third Parties; and
 - £64 million from the review of services.
- 3.3 Plans for the delivery of the £6 million in asset management are set out in the Asset Management Strategy, which was approved by this Committee in September 2015. A separate report outlining progress to date in this workstream forms Part B of this agenda item.
- 3.4 Detailed proposals have been developed for the delivery of the £7 million savings in the Payments to Third Parties workstream and implementation is underway. Currently, £5.4 million of this is considered to have a green “RAG” status, with confidence in delivery. Implementation plans are being further developed for the remaining £1.6 million and it is anticipated that a significant proportion of this will move to green status in the coming months as delivery plans for 2017/18 savings are firmed up. The programme will continue to monitor the Payments to Third Parties workstream going forward and progress with delivery will form part of the future reporting to this Committee.
- 3.5 The remaining £64 million savings were to be delivered through a series of organisational reviews, aligned to Head of Service areas of responsibilities. Heads of Service were tasked with designing new staffing structures which could support the continued delivery of high quality services whilst ensuring that the necessary cost savings were delivered.
- 3.6 Savings of 26% were targeted in the “Business and Support Services” workstream (primarily those functions which now sit within Resources or report directly to the Chief Executive). Within the “Citizens and Localities” workstream, (primarily those services within Place, Safer and Stronger Communities and Communities and Families) targets were applied to reduce management costs by 27% and frontline costs by 15%.
- 3.7 For the purposes of delivery and to ensure that services could be safely maintained during this period of change, the organisational reviews were approached on a phased basis. The initial set of organisational reviews was targeted with delivering £28 million, with a further £29 million to be saved through a following set of organisational reviews. A further £7 million was targeted through a range of non-organisational review savings proposals.

Progress to Date with Organisational Reviews

- 3.8 Excellent progress has been made with the delivery of organisational reviews to date. The majority of these have now concluded, with a small number in the final stages of matching and assignment and two reviews – Democratic Services and Property and Facilities Management (non-FM staff) in the consultation period.
- 3.9 In approaching the re-design of service areas, every effort has been made to protect vital services and mitigate the potential for redundancy wherever possible. Service areas, working with the programme team, have sought to maximise the opportunities to reduce non-staff related costs where possible and appropriate. The focus on maximising savings through a reduction in management costs rather than at front line has also helped to protect vital services.
- 3.10 As a result of this focus on mitigating redundancy, £5 million in non- staffing savings have been identified in the initial set of organisational reviews and are now being implemented. In addition to this, a further £4 million savings has been identified in vacancies and agency costs (the equivalent of a further 180 FTE), which has helped to reduce the impact on Council staff.
- 3.11 The table below summarises the delivery of the savings associated with this first phase of organisational reviews.

	Savings Target	VERA / VR to date	Further VR in the pipeline	Vacancies / Agency	Staff-Related	Non-Staff
Phase 1 Reviews – Benefits Realised	£28.4m	£17.0m	£2.0m	£4.4m	£23.4m	£5.0m

- 3.12 The savings associated with these reviews have either been banked, or there are firm plans in place to do so. Appendix 1 shows the current “RAG” status of the savings in terms of confidence in delivery. A small proportion remains at amber status pending the completion of matching and assignment or the phased release of agency staff, but these are anticipated to turn to green in the coming months.
- 3.13 As such, there is now confidence in the delivery of the £28 million and going forward, the programme will focus on the remainder of the Transformation delivery plan. The details of this are set out below.

Transformation Delivery Plan

- 3.14 The Transformation Programme is developing detailed plans to deliver a further £29.4 million through the review of Council services. This savings target is broken down into a number of component projects which will be implemented before the end of this financial year to ensure full year savings are realised in 2017/18. The following table summarises the savings being targeted and details of the proposed delivery plans for each are outlined below.

Review	Savings Target
Schools & Lifelong Learning	£6.6m
Health & Social Care	£11.2m
Customer and Business Support	£7.6m
Safer & Stronger Communities	£1.6m
Other savings (ICT and Children's Services)	£0.7m
School Instrumental Music Service	£1.7m
TOTAL	£29.4m

Schools and Lifelong Learning

- 3.15 The Business Case for Schools and Life Long Learning was approved at CLT on the 17th August 2016. The project is due for implementation by January 2017, to allow time for financial savings to be fully implemented before the year end.
- 3.16 Work currently underway includes carrying out design workshops to finalise the new staff structure and define the new generic job descriptions, engagement with new leadership for localities and learning from other reviews within the transformational programme to ensure consistency and efficiency. The project plan is now being finalised with key milestones and timelines.
- 3.17 The formal staff consultation period is due to commence in October and public engagement arrangements are being finalised. Further details will be provided in the next report to Committee.

- 3.18 Financial benefits accrued will be £6.4 million. The review will also see the introduction of new integrated working practices, aligned with the ambitions of a new locality model for the council and its partners.
- 3.19 Key delivery risks for this review revolve around the community reaction to perceived cuts or reduction in service and the changes to historical practice.

Health and Social Care

- 3.20 Savings of £11.2 million are targeted through the review of Health and Social Care. This is a particularly complex area, as it involves integrating services across both the City of Edinburgh Council and NHS Lothian. The review provides an opportunity to create a structure which allows the two organisations to work together in a truly effective and innovative way. The review also aims to support delivery of local priorities at a reduced cost and to renew the focus on early intervention and prevention.
- 3.21 The re-structuring of Health and Social Care is based on improved access and service delivery across four locality areas which will allow for closer working with community planning partners, local citizens, service users and communities.
- 3.22 The organisational review of senior management tiers within the service has now completed and the majority of the new management team is in place and supporting the implementation of the new model across the remaining tiers.
- 3.23 The next phase of the organisational review, covering all remaining tiers, is now underway. Structures have been designed which provide safe and sustainable services whilst also meeting the financial challenge. A programme challenge panel took place on 5 September 2016, ahead of formal Corporate Leadership Team (CLT) approval on 7 September 2016. The 45 day formal consultation period commenced on 15 September and the new model is expected to be implemented by late December 2016.

Customer and Business Support

- 3.24 The overarching business case for the next stage of the Customer and Business Support project was approved by CLT in July 2016.
- 3.25 The project team is now developing these further improvement initiatives across all the functional areas. These improvement opportunities include:
- Process improvement/reengineering
 - Channel shift
 - Culture, leadership and performance management
 - Cost Containment and revenue generation
 - New ICT, automation/robotics
- 3.26 From an initial long list of opportunities, through grouping and prioritisation, 22 projects have been identified with estimated annual financial savings of £4.1million. In addition substantial customer and non financial benefits are being delivered.

- 3.27 Currently 5 projects are at the end of the identify stage and have submitted mini business cases to move to the design phase of the project. The project team are confirming the scope and requirements and working with the business to confirm the savings/benefit estimates and the preferred delivery model.
- 3.28 A number of ICT change requests have been raised and a key dependency will be the timescale and cost associated with them as well as the delivery timescale for the ICT current roadmap. Over the next period the team will continue to progress individual projects and complete a full update of the project plan taking account of changes identified from the initial reviews of all the projects.
- 3.29 Within the Channel Shift project, the Council continues to work closely with CGI and partner Agilisys to re-plan the delivery schedule for the new digital platform and associated transactions. This plan will include a comprehensive business impact assessment which will detail training, communications and business change required to implement the new systems and to support channel shift with citizens and customers. Progress continues with the analysis of the transactional pipeline moving into new areas such as Licensing, Parking, Housing and Planning and Building Standards.
- 3.30 Over 70,000 individuals have now signed up for online MyGovScot accounts. Proposals for improving digital participation are being developed in conjunction with SCVO and CGI, and these will be subject to wider engagement to inform a detailed implementation plan.
- 3.31 The Customer project team is continuing the work to identify further improvement opportunities which will realise the remainder of the targeted savings. Progress in relation to this will form part of the regular reporting to this Committee going forward.

Safer and Stronger Communities

- 3.32 A business case is currently in development to identify proposals which will meet the remaining savings target of £1.6 million within Safer and Stronger Communities. Initial plans have indicated potential recurring annual savings shortfalls totalling £1m across the Advice Services and CCTV areas. This is due to be considered by CLT in late September and further detail of the delivery plan will be provided in the next update to Committee.

ICT

- 3.33 The ICT service was one of the first areas of the Council to undergo an organisational review as part of the Transformation Programme, with new structures implemented in January 2016. The first phase of the review saw staff from across the Council consolidated into the ICT service and savings of £780,000 realised.
- 3.34 Now that the new structure has had time to bed in, the opportunity is being taken to further refine and improve the operating model for the service. This second phase of review is targeted with delivering a further £200,000 in savings. A

detailed business case is currently being developed. This is scheduled to be considered by a programme challenge panel in mid September, prior to consideration and approval by CLT in late September.

Other Savings Proposals

- 3.35 Work continues within the Programme to identify further options to meet the remaining savings targets. In the case of school instrumental music tuition (£1.7m in 2017/18) it has not been possible to develop proposals striking the required balance between delivering the level of savings assumed within the budget framework and securing on-going service access.
- 3.36 Assessment of options to deliver changes to the service model for school business support also points to a potential recurring shortfall of £1.2m.

Development of the Localities Model

- 3.37 The organisational reviews which will populate the localities staffing model are now largely complete. Since the previous update to Committee, matching and assignment in Environment has concluded with the exception of Waste. Housing and Regulatory Services has concluded and, Planning and Transport, and Safer and Stronger Communities are also nearing conclusion.
- 3.38 Appendix 2 details the staffing structures and current vacancies within localities.
- 3.39 The 'Blueprint' for Localities is currently being refreshed and a clear scope and plan is being developed for the next phase of the programme. Delivery of these will require input from key stakeholders, including partners and formal approval will be required to ensure there is a common understanding and agreement of the programme's desired outcomes.
- 3.40 Included in the scope and planning work will be delivery of Locality Improvement Plans. These are being progressed by the Council and Community planning partners to align and support requirements detailed in the Community Empowerment Act 2015. The proposed approach involves establishing a project team in each of the four localities, reporting to each Locality Leadership Team, to conduct two phases of engagement; (i) locality wide engagement to inform locality wide outcomes (October to December 2016), and (ii) smaller area engagement (February 2017 to May 2017) in areas of high social deprivation to develop action to address poverty and inequality. Under the proposals, plans would be ready for approval by Committee and the Edinburgh Partnership Board between July and October 2017.

Transformation Management Information Dashboards

- 3.41 The management information dashboards for the month to 15 September 2016 are attached as appendix 3.

Measures of success

- 4.1 The business cases have identified significant financial and non-financial benefits associated with the Transformation Programme.
- 4.2 The PMO have developed a clear financial and non-financial benefits framework which forms the basis of bi-monthly dashboard reporting to Committee.

Financial impact

- 5.1 As approved by Council the Transformation Programme is targeting the development and delivery of cumulative savings of £77.0m as a critical element of the Council's approved budget framework.

Risk, policy, compliance and governance impact

- 6.1 A risk register has been developed as part of the PMO and is reported monthly to the Corporate Leadership Team.

Equalities impact

- 7.1 New locality management arrangements and local community engagement arrangements take cognisance of the needs of equalities communities of interest in addition to communities of place
- 7.2 New grant and contract programmes are designed to ensure the protection of the most vulnerable communities, families and individuals to maintain equality of opportunity.
- 7.3 Face to face contact and other contact channels are maintained for individuals, families and groups that have difficulties when accessing new or IT based channels.
- 7.4 Proposals comprising the budget framework will be assessed for their corresponding potential equalities and human rights impacts. The combined and cumulative impact of the proposals across the transformation programme will be assessed and reported to Committee. 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 recommendations of this report have been assessed in line with the public bodies duties described within the Climate Change Scotland Act (2009). In summary, a move to enhanced locality working will provide for new opportunities to strengthen the Council's work to mitigate against climate change, adapt to climate change and act in a more sustainable manner.

Consultation and engagement

- 9.1 The Council Transformation Programme has engaged with staff using a number of methods, including drop-in sessions, workshops, a dedicated email address, ORB pages, blogs, communications updates and briefings from line managers.
- 9.2 A comprehensive employee engagement plan has been developed for each organisational review, with a dedicated overarching change plan involving staff, elected members, partners and trade unions.

Background reading/external references

Andrew Kerr

Chief Executive

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

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

Links

[Report to Finance and Resources Committee, May 2016 - Transformation Programme: Progress Update](#)

[Report to Finance and Resources Committee, March 2016 - Transformation Programme: Progress Update](#)

[Report to Finance and Resources Committee, March 2016 - Asset Management Strategy Update](#)

Coalition pledges

Council outcomes

Single Outcome Agreement

Appendices

Appendix 1 – Financial savings RAG status

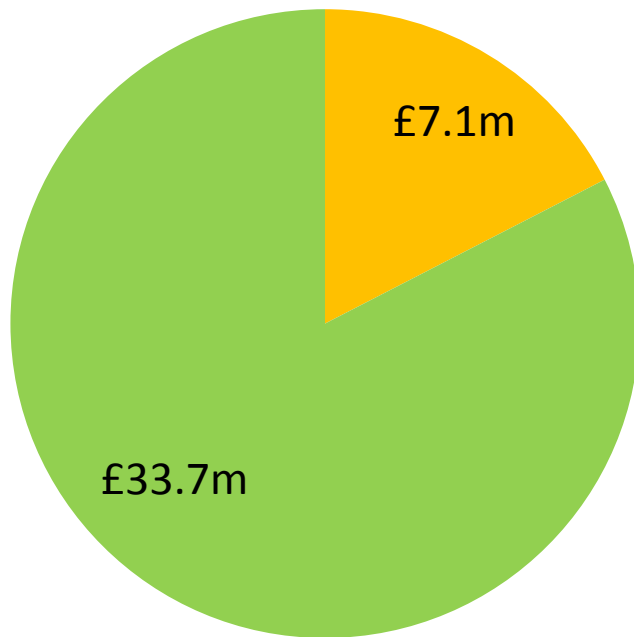
Appendix 2 – Localities staffing structures

Appendix 3 - Management Information Dashboards

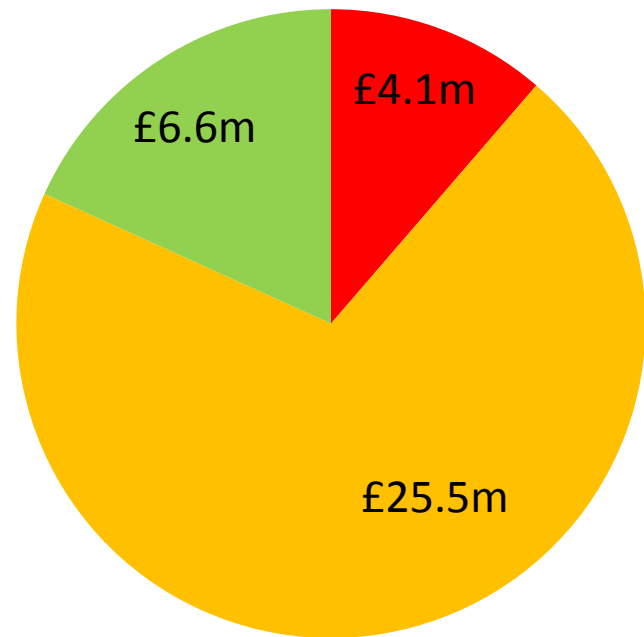
Council Transformation Programme

Approved Savings

2016-17
£40.8m



2017/18 & Later Years
£36.2



The above includes £2.2m of Third Party Savings Approved in 15/16

New Locality Working – South West

Direct Management (Council)

Head of Safer & Stronger Communities/CSWO
Michelle Miller

Executive Director of Place
Paul Lawrence

CEC Locality Manager
Mike Avery

Regulation and Professional Governance
Senior Manager
(Vacancy)

Family & Household Support Manager
Simon Porteous

Local Transport & Environment Manager
Andy Edwards

Housing Operations Manager
Michaela Smith

Family & Household Team Lead x 3
(Vacancy)

Environmental Warden Team Leader 1 FTE

Senior Transport Team Leader 2 FTE

Housing Team Leader Team Leader x 4 FTE

Housing Support Officer 13 FTE

Environmental Warden 6 FTE

Technician 2 FTE

Housing Officers x 32 FTE

Community Safety Officer 6 FTE

Locality Office- Waste & Cleansing

Inspector 3 FTE

Concierge Services Team Leader x 2 FTE

Family Solutions SNR Support Worker 1FTE

Parks and Greenspace Officer 1 FTE

Engineer 3 FTE

Concierge Officer x 20 FTE

Family Solutions Support Worker 4 FTE

Park Ranger 2 FTE

Roadworks Support Inspectors/RCC Clerks of Works 1.5FTE

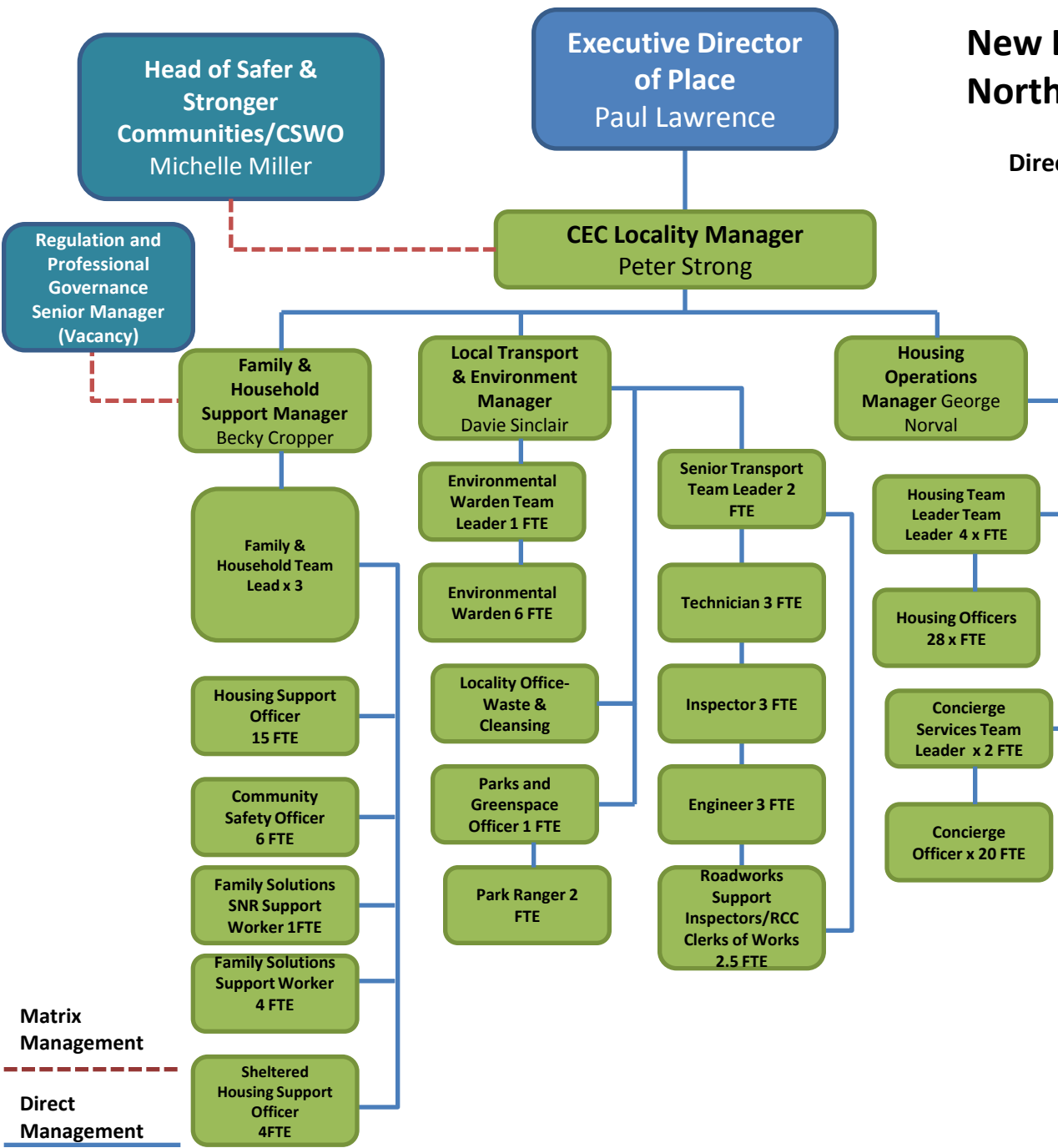
Sheltered Housing Support Officer 5FTE

Matrix Management

Direct Management

New Locality Working – North West

Direct Management (Council)



Matrix Management

Direct Management

New Locality Working – North East

Direct Management (Council)

Head of Safer & Stronger Communities/CSWO
Michelle Miller

Executive Director of Place
Paul Lawrence

CEC Locality Manager
Natalie McKail

Regulation and Professional Governance
Senior Manager
(Vacancy)

Family & Household Support Manager
Derek McGowan

Local Transport & Environment Manager
(Vacancy)

Housing Operations Manager
Libby Strong

Family & Household Team Lead x 3

Environmental Warden Team Leader
Jacqui Renton

Senior Transport Team Leader x 2
Alec Hope
(Vacancy)

Housing Team Leader x 4 FTE

Housing Support Officer
11 FTE

Environmental Warden 6 FTE

Technician 2 FTE

Housing Officers
x 26 FTE

Community Safety Officer
6 FTE

Locality Office-Waste & Cleansing 1 FTE

Inspector 3 FTE

Concierge Services Team Leader x 1 FTE

Family Solutions SNR Support Worker 1FTE

Parks and Greenspace Officer 1 FTE

Engineer 3 FTE

Concierge Officer x 20 FTE

Family Solutions Support Worker 4 FTE

Park Ranger 2 FTE

Roadworks Support Inspectors/RCC Clerks of Works 1.5 FTE

Sheltered Housing Support Officer 7FTE

Matrix Management

Direct Management

New Locality Working – South East

Direct Management (Council)

Head of Safer & Stronger Communities/CSWO
Michelle Miller

Executive Director of Place
Paul Lawrence

CEC Locality Manager
Sarah Burns

Regulation and Professional Governance
Senior Manager
(Vacancy)

Family & Household Support Manager
Kathy Evans

Local Transport & Environment Manager
Stephen Cuthill

Housing Operations Manager
Paul Swan

Family & Household Team Lead x 3

Environmental Warden Team Leader 1 FTE

Senior Transport Team Leader 2 FTE

Housing Team Leader Team Leader x 3 FTE

Housing Support Officer 13 FTE

Environmental Warden 6 FTE

Technician 3 FTE

Housing Officers x 21 FTE

Community Safety Officer 7 FTE

Senior Environmental Warden 6 FTE

Inspector 5 FTE

Concierge Services Team Leader x 1 FTE

Family Solutions SNR Support Worker 1 FTE

Night Environmental Warden 2FTE

Engineer 4 FTE

Concierge Officer x 18 FTE

Family Solutions Support Worker 4FTE

Locality Office- Waste & Cleansing

Roadworks Support Inspectors/RCC Clerks of Works 2.5 FTE

Sheltered Housing Support Officer 2 FTE

Parks and Greenspace Officer 1 FTE

Park Ranger 6 FTE

Matrix Management

Direct Management



Transformation Programme Management Dashboard

Monthly progress update - September 2016

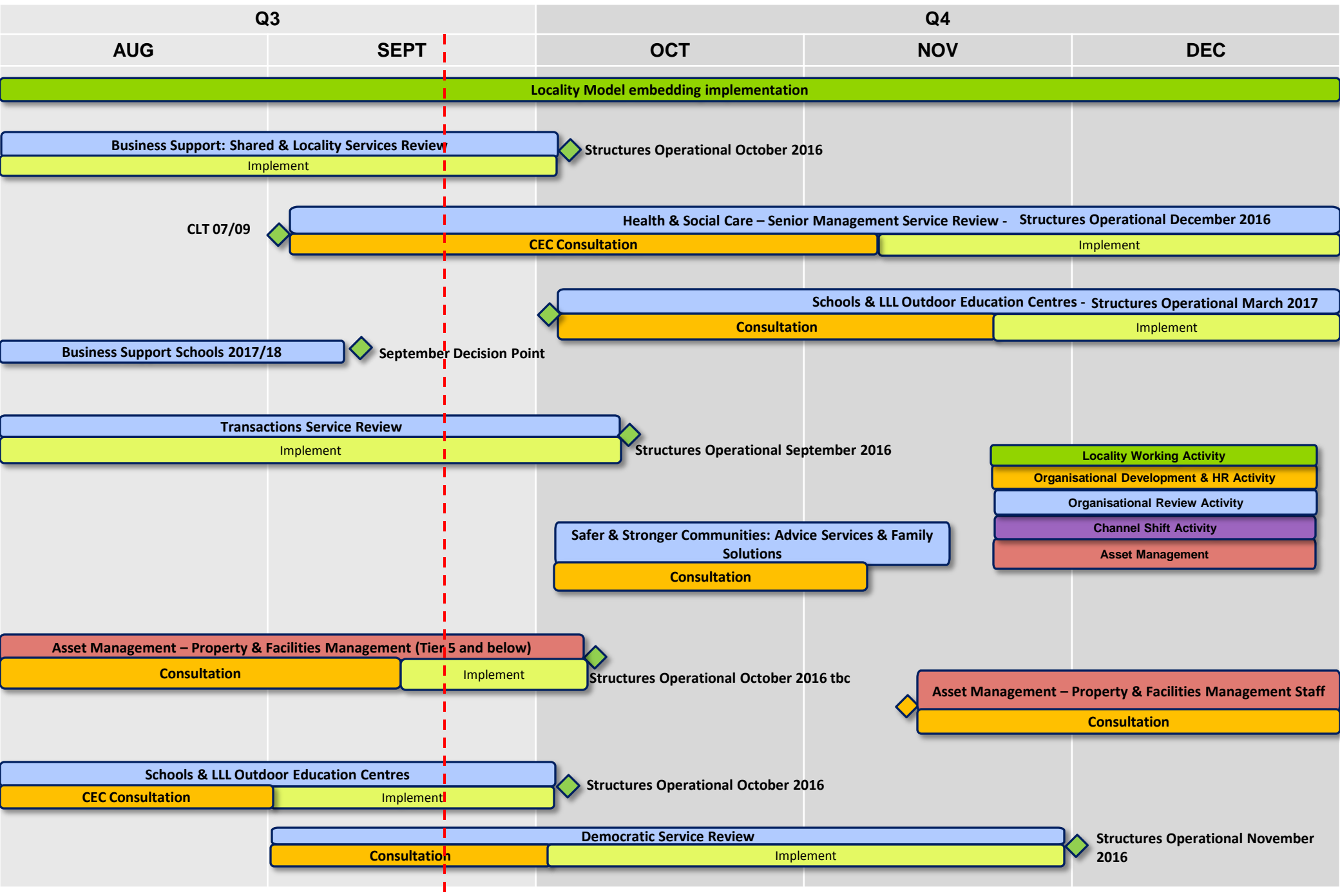
OVERVIEW OF PROGRESS

6 Organisational reviews remain to complete for the first part of Transformation, one of which has been delayed to 1st October following requests from staff and TU's to allow an extended period of Matching & Assignment, with savings on track. Benefits tracking has now been refined and improved to ensure that there is a clear picture of projected and actual savings and that any emerging gaps are identified to allow mitigating action to be taken. £2m for VERA in this part of Transformation was previously classed as pipeline but this is now approved. Detailed plans for the next stages of Transformation are in development

PROJECT	RAG	COMMENTS	KEY PROGRAMME DECISIONS & TIMESCALES				
			August	September	October	November	December
Customer & Business Support	→	<ul style="list-style-type: none"> BS SSL full implementation planned by the end of September First set of project business cases developed and under review with 5 signed off and additional projects identified and brought into scope of existing projects Change Requests submitted and working with ICT/CGI to manage the Change Request process. ICT requirements list being tracked against delivery plan. Work ongoing with CGI re ICT dependencies 	Environment ◆ Operational October ◆ CLT Meeting Business Support: Shared & Locality Services ◆ Operational October ◆ F&R Committee CLT Meeting ◆ Dashboards & CLT Report CLT Meeting ◆ Health & Social Care CLT Meeting ◆ Safer & Stronger : Advice Services/Family Solutions ◆ Facilities Management Staff				
Health & Social Care	→	<ul style="list-style-type: none"> Phase 1 interviews for hub and cluster key management posts scheduled for w/c 26th September. Phase 1 Locality Manager & Strategy Planning & Quality Managers appointed with two vacancies remaining to be filled Phase 2 proposed structure approved at CLT, with Comms Plan and FAQ's drafted Consultation launched 15th Sept 	Facilities Management structure development ◆ Operational October Schools & LLL: Outdoor Education Centres ◆ Operational October Democratic Service Review				
Asset Management	→	<ul style="list-style-type: none"> Org Review Phase 1 implemented with 2 vacancies to fill externally First tranche of Estate Rationalisation Business Cases developed and submitted to CLT Budget transfers for transitioned services nearing completion Review of TF Cloud CAFM system functionality 					
Localities	→	<ul style="list-style-type: none"> Phase 1 reviews with a locality interest largely complete with revised completion date of 1st October for waste element of Environment Organisational Review. CR raised to assess delay impact 					
Resources	→	<ul style="list-style-type: none"> HRSC completing iTrent update HR working with Customer and supporting Ph2 HR Service Centre Review Finance review complete and working with HR to complete formal post review administration. 					
Chief Exec Dept	→	<ul style="list-style-type: none"> Strategy team continuing to support Customer team through the development of the Customer Strategy Democratic Services – Organisation review commenced and mid point review complete. Extended by 1 week to accommodate additional scope brought into the review 					
Place & Economy	→	<ul style="list-style-type: none"> Reviews either complete or with Matching & assignment nearing completion. Locality Management teams being assembled 					
Safer and Stronger	→	<ul style="list-style-type: none"> Alternative savings proposals addressing budget shortfalls to be taken back to CLT for review/discussion 					
Communities & Families	→	<ul style="list-style-type: none"> Formal consultation complete for Outdoor Centres Lifelong Learning project now commenced following Business Case approval Further update paper to go to Corporate Policy & Strategy Committee in October for Edinburgh Leisure & Schools Facilities 					

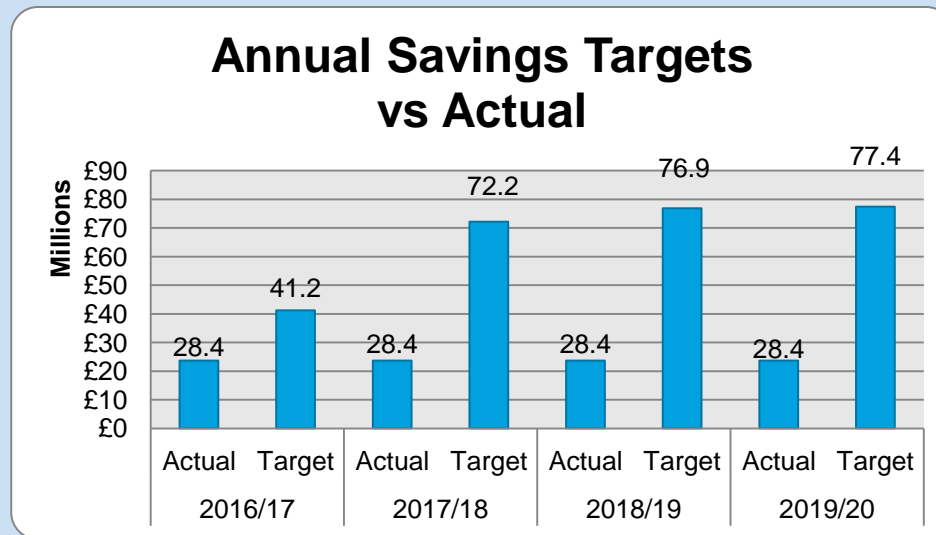
RISK	DESCRIPTION	RAG	MITIGATION
Service Failure (TPR002)	Acceleration of the Programme to realise savings more quickly causes disruption	→	Forward planning of restructuring and realignment of staff with each service is underway. CLT reviewing robustness of all Organisational Review proposals. Cross-Council working group in place to drive forward plans to embed transformation across all services.
Engagement and Change (TPR001)	Managing change with staff and partners may be difficult due to scale and complexity of programme	→	A communications plan is in place, aligned with regular committee reporting. Regular union engagement meetings are in place. A Wider Leadership forum has been established to engage and inform senior leaders and ensure cascade of vital information. Templates have been developed to support consistent and accurate comms for organisational review and this is supported by HR business partners, Lead Officers and the programme team. A New Localities Programme Manager is now in place (Scott Robertson) localities communications and an engagement plan is under development.

Transformation Programme Plan - Key Activities & Target Milestones to December 2016






Finance & Benefits Update



Initiative



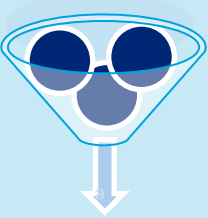
Activity

Completed

- Customer Contact, Transactions, and Executive Support review have been completed and implemented
- BS SSL has delivered a soft launch in specific areas, final grades are being match and assigned, full implementation planned by the end of the month.
- In phase 2 multiple project business cases and options papers have been developed, with 5 signed off.
- ICT Change requests have been submitted and the team has worked with ICT/CGI to refine the process and ICT requirements list is being tracked against the delivery plan
- Additional projects have been identified and brought into scope as part of existing projects. 2 projects are being reviewed to confirm if there are alternative project which will deliver better benefits

Planned

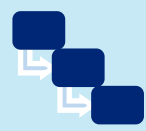
- Business Support will complete the Matching & Assigning process and be fully implemented
- Recruit for vacancies as required across the areas
- Continue to progress individual project with the first phase of projects being implemented in October
- Following challenge session refine the project portfolio to maximise the in year savings and delivery of high value projects
- Work with ICT, CGI, commercial and procurement to move forward to deliver project which have considerable cross over and dependencies



Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Significant cultural change is required, internally and externally to embed processes, service levels could initially be impacted requiring close working with services and the real need for senior buy in for this to be successfully delivered	Close working with other services will continue and plans developed to further build on this. Working with Transformation/ HR on the embedding change sessions	Yellow	Yellow
	A number of the phase 2 projects require IT enablement and are dependent on systems being available in line with delivery timeframes	Continue to work closely with CGI business partner to identify an issues or potential misalignment of delivery schedules	Red	Yellow
	Insufficient BAU or Project resources available to deliver the project	There has been close work to identify resource requirements and the newly appointed Customer tier 4 team continue to support the project delivery team	Yellow	Green

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	It is taking time to finalise the financial position for the phase 1 reviews in particular the alignment of budgets to the Itrent scope lists There are leavers and vacancies from both scopes which need to be aligned to budgets	Working with Finance to understand where these numbers could be aligned	Yellow



Key Milestones

	July				August				September			
BS Executive Support structure operational												
Customer Contact consultation review completed												
Customer Contact structure operational			▶									
Transaction consultation Structure Operational				▶								
BS Shared Services Structure Operational (complete end Sept)												▶

Project Dependencies

Dependency on IT as an enabler is critical for the delivery of savings in the required timescale. The delivery is reliant on the implementation of new systems in the required timescale and requires close working with CGI and partners to implement to plan

Close working with HR to identify an deliver improvement opportunities within HRSS

Initiative

Completed

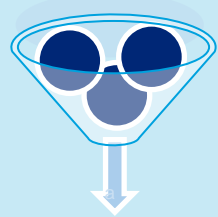
Planned



Activity

- Legal Services, Risk, Internal Audit and H&S reviews are complete and the organisation structures have been implemented
- Commercial and Procurement has implemented the new structure, the final presentation has been completed. The HRSC is completing the update of Irtrent
- The Finance review is now complete with final alignment to specific service lines being bedded in. They are working with HR to complete the formal post review administration
- HR are working closely with Customer and are supporting the Ph 2 review of the HR Service Centre

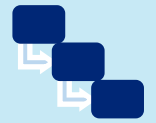
- Work with the Transformation Programme to embed the change in each area,
- Continue to work with Customer to further develop the improvement opportunities for HR Service Centre, building them into specific initiatives



Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Saving for Legal, Risk and Internal Audit are dependent on agreement to transfer of budgets and the reduction of external spend. Without a clear governance and tracking mechanism this may not be delivered.	Part of the ongoing implementation planning includes the development of a new governance system and centralisation of Legal budgets	Yellow	Yellow
	Without significant culture change the implementation of the new operating models will be less efficient and full benefits may not be delivered.	As part of the programme implementation significant change management activities are being built into the delivery plan. Embedding change session are currently being delivered	Yellow	Green

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Issues are being managed at this time with nothing requiring escalation		Green



Key Milestones

	July			August			September			Project Dependencies
Legal structure operational										Close working with Strategy is required to allow the future Risk/IA/H&S and Resilience operating models to be successfully delivered. Close working with Customer to support the Phase 2 review of HRSS
Commercial consultation review complete										
Commercial structure operational									Green	
Risk, IA, H&S consultation review completed										
Risk, IA, H&S structure operational		Green								
Finance consultation review completed		Green								
Finance consultation structure operational									Green	

Initiative



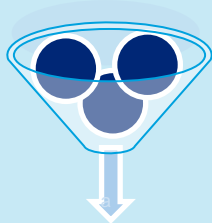
Activity

Completed

- Strategy and Transformation have been implemented and vacancies are being recruited both internally and externally
- The Resilience team consultation review has closed and the matching and assignment is completed. The structures has now become operational
- The Strategy team is continuing to support the Customer team through managing the development of the Customer Strategy
- Democratic Services – The organisation review has commenced and has had its mid point review. It has been extended by 1 week as additional scope where brought into the review
- ICT Phase 2 is in the planning phase and the business case will be developed for CLT in September.

Planned

- Continue to deliver the democratic services review
- Work with Services to build on previous work to confirm, enhance and rationalise insight requirements
- Continue to work with the Transformation Programme to embed the change in each area,



Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Without significant culture change the implementation of the new operating models will be less efficient and full benefits may not be delivered	As part of the programme implementation significant change management activities are being built into the delivery plan and Embedding change session are being held	Yellow	Green
	Due to a number of vacant posts there is potential for the functions to be unable to deliver at full capacity in the originally planned timescales	Continue to work with HR and Finance to ensure vacant post can be recruited as quickly as possible	Yellow	Green

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Issues are being managed at this time with nothing requiring escalation		



Key Milestones

	July			August			September		
Resilience consultation review completed									
Resilience structure operational	▶								
Democratic review commences					▶				
Democratic Organisation review closed									▶

Project Dependencies
Close working with Risk, Audit, HS and Resilience is required to allow the future operating model to be successfully delivered

Initiative



Activity

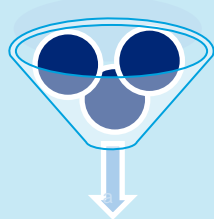
Completed

- Phase 1 appointments to Locality Managers and Strategy Planning and Quality managers, with two vacancies
- Phase 1 interviews for Hub and Cluster Managers and MH and SM Managers Scheduled w/c 26 September
- Phase 2 proposed structure approved at CLT
- Phase 2 Comms Plan and FAQs drafted

Planned

- Phase 1 – Implementation (October)
- Phase 2 – Consultation launch (15/09)
- Phase 2 – VR process started (15/09)
- Phase 2 – Mid point consultation update session (06/10)
- Phase 2 – Consultation 45 days completed (31/10)

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
TRP00110	Structure finalised. Exact numbers of reductions confirmed and final costing of draft structure completed and financial targets met . If deadline is missed required savings will not be made.	Full structure drafted for consultation deadline (AMBER – GREEN)	GREEN	YELLOW
TPR00091	Management required to be in place (Phase 1) by agreed date or this will cause delays to Phase 2 interview stages.	Interviews of Locality Managers and Strategy Managers completed and all other phase 1 interviews scheduled w/c for 26 /9/16 (GREEN)	GREEN	GREEN
TPR00113	Health and Social Care joint inspection 12 week notification . Inspection to take place during October and November. This may cause some delays to change in social work which overall may impact the savings.	Financial arrangements to be considered to mitigate any reduction in savings to be achieved (AMBER)	YELLOW	YELLOW



Risks & Issues

	September			October			November			December		
Organisational review												
Phase 1 Interviews (Hub & Cluster and Mental Health Roles)				GREEN								
Phase 1 Go Live					GREEN							
Phase 2 Structure Agreed		GREEN										
Phase 2 Consultation Start			GREEN									
Phase 2 VR Interest Received				GREEN	GREEN							
Phase 2 Consultation End							GREEN					

Project Dependencies

To ensure agreed savings are made, phase 2 will have to go live by December. The structure is now agreed and official launch held on 13/09/16. Consultation 45 day period started on 15/09/16.

Timescales and approvals for VR applications from staff within the scope will have a significant impact on future savings targets and project delivery plans.

Key Milestones



Asset Management Strategy (AMS)

August/September 2016

Current RAG



Initiative

Activity

- Completed**
- Organisational Review for stage 1 closed on 11th April with remaining vacancies filled bar two for external recruitment.
 - Tier 5 org design approved at CLT for development to consult
 - First tranche of Estate Rationalisation business cases developed and submitted to CLT.
 - CLT approval to take forward the procurement of a delivery partner to expedite the Asset Condition survey programme.
 - Budget transfers for transitioned services to nearing completion
 - Review of TF Cloud CAFM system functionality.

- Planned**
- Service Level Agreements (SLAs) engagement with key stakeholders - due diligence underway to finalise Soft FM design.
 - Estates Rationalisation initiatives continue to be progressed with engagement underway at Wester Hailes, 329 High Street and Lothian Chambers
 - Organisational Review tier 5 and below underway
 - FM organisational review targeted for November 2016
 - Continue preparation of all enabling information for the Asset Condition survey programme and the reparation of survey ITT documentation .
 - Continue process design work across SAM, Helpdesk and Asset Condition.

Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	RESIDUAL RAG
TPR00039	Stakeholder / political support There is a risk of failing to secure stakeholder / political support for property transformation proposals resulting in a delay or failure to deliver the anticipated savings.	Continued communication of AMS strategies with key service areas to facilitate a better understanding of the programme .Senior Management continue to engage with politicians with key briefings to be planned inline with the programme milestones.	Red
TPR00040	Backlog Maintenance Capital There is a risk that lack of funding for maintenance of the Council estate will lead to a significant backlog of works/repairs. Savings made in hard FM would need to be re-invested to meet Health & Safety requirements.	Decision has been taken to outsource surveys across the entire estate this year to enable recent data to be gathered asap. Programme currently in development.	Red
TPR00045	Service Area Buy-In Risk of service areas not accepting new service standards leading to working around newly implemented standards. This will result in benefits from the new SLAs not being fully realised. e.g. Head teachers not directly engaged in the process.	Ongoing interaction with Service Areas to collate feedback and concerns . Ensure senior support/endorsement during SLA briefings and sign off. Implement new service level performance processes to ensure buy-in is retained during early stages of SLA roll-out.	Yellow

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	No issues for escalation at this time		Yellow

Key Milestones

		Aug	Sept	Oct
1	Stage 2 Consultation launch	On track		
2	FM User group briefing sessions	In progress		
3	Develop external survey brief for survives	On track		
4	September F&R Committee – Full Update		On track	
5	FM SLA's and outline design agreed			On track
6	Preparing for FM consultation		In progress	
7	Estate Business Case engagement		In progress	

Key: On track In progress Attention

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
TARGET					
Service Redesign Total	(0.400)	(0.300)	(1.800)	2.100	1.900
Estates Rationalisation Total	0.100	(0.200)	1.600	1.800	2.200
Investment Estate Total	0.000	1.300	1.800	1.900	2.100
AMS SAVINGS TARGET	(0.300)	0.800	1.600	5.800	6.200

Initiative



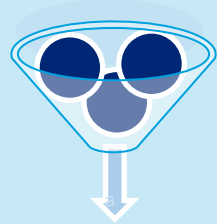
Activity

Completed

- Phase 1 reviews with a Locality interest are complete with the exception of the waste element of the Environment Organisational Review. Revised completion date 1st October and Change Request raised to assess impact of delay.

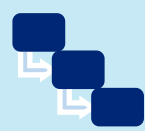
Planned

- Delivery of Locality Programme Plan for sign off by Locality Management Board (LMB) by start October.
- Delivery of a refreshed Locality 'blueprint'/Programme Definition Document to articulate scope and vision of Localities Programme.



Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Partners are currently undergoing organisational/ structural changes which may not be in synergy with the, as yet undefined, locality partnership group model. This would lead to further requirement for reorganisation and change which may result in inefficiencies and further disruption to achieving successful integration.	Corporate Policy & Strategy Manager and Programme Manager to ensure regular engagement with Community Planning partners to ensure plans remain aligned and all partners are working together to achieve the agreed locality outcomes.	Yellow	Green
	Through this organisational change there is a risk that Customer and Business Support services are not adequately planned or aligned to help ensure locality services are delivered effectively. This may result in communities unable to contact services with associated service failures and reputational damage.	Programme Manager to arrange weekly/fortnightly meetings between all parties/stakeholders inc. Customer & BSS to manage coordination and delivery of activities that will reduce likelihood of the risk being realised.	Yellow	Green
	The ICT supporting locality working may not be optimal and could lead to costly time and resource inefficiencies as well as delays in the transformational change process. For example: - CEC ICT functionality may not be optimal if it is not designed to underpin this transformational change. - Partners may not have adequate access to shared information. - Essential software systems such as Housing's Northgate may not be joined up either with locality boundaries or partners systems.	- Series of workshops to be undertaken to understand locality ICT requirements. This will be done in conjunction with Locality Management Teams and Asset Management. Priority is to understand day 1 requirements for continuity of service, followed by how ICT can support service delivery enhancements and more better joined up working between partners.	Yellow	Green
	Levels of service delivery and approaches to service provision across the localities may vary leading to poor public perception.	Ensure quality of service delivery is standardised for key services across localities and engagement with citizens to shape/deliver the services important to them.	Yellow	Green



Key Milestones

	July			August			September			October		
Matching and assignment of staff to services	Green	Green	Green	Green	Green	Green						
Service 'Embedding change' plans implemented							Green	Green	Green	Green	Green	Green
Locality structures populated	Green	Green	Green	Green	Green	Green						
PDD & Plan developed							Green	Green	Green	Green	Green	Green
ICT strategy and requirements agreed							Yellow	Yellow	Yellow	Yellow	Yellow	Yellow

Project Dependencies

- Aspects of Business and Customer Support Services consultation and implementation will overlap implementation of services and localities model, including ICT.
- Work with Asset Management ongoing
- Allocation of staff, budget and HR functions to localities.

Initiative

Completed

Planned

Activity

•All reviews complete / in matching and assignment phase, Locality Management teams being assembled through this process

- Embedding transformation plans being developed for all services
- Tracking of benefits ongoing
- Risks and Issues identified as part of the Org Reviews are being compiled to hand over to BAU for their acknowledgement/acceptance

Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERRENT RAG	RESIDUAL RAG
TPR00025	Structure Implementation - There is a risk that Structures, if not synchronised in an effective manner across the relevant service areas, may result in operational challenges.	1/08/16: The Organisational Review is complete and managers have been appointed to work with services to manage this risk.	Yellow	Green

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Issues are being managed at this time with nothing requiring escalation		Yellow

		Project Dependencies			
		July	August	September	October
Phase 1 Org review complete and implemented		Green			
Localities Implementation			Green	Green	Green
Embedding transformation plans			Green	Green	Green

•Aspects of Business Support Services consultation and implementation will overlap implementation of services and localities model, including ICT.

•Allocation of staff to localities ongoing

Safer and Stronger Communities

September 2016

Current RAG



Initiative

Completed

Planned



Activity

Business case submitted to CLT - further options to be explored by Service area and further discussions scheduled with key stakeholders over the next few weeks. Draft structures and job description have been completed for internal Advice Shop staff Consultation pack is being drafted for start of Organisational Review.

- Discussions with key stakeholders organised for week commencing 12 September
- Further update to be provided to CLT on the alternative savings proposals to negate some of the budget shortfall



RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
1	Staff are de-motivated and disengaged throughout the review process.	<ul style="list-style-type: none"> • Communication and stakeholder engagement plan completed. • Full consultation with all staff will take place • Staff briefings and relevant communication will be cascaded throughout review timetable. • Formal midpoint briefing sessions will be organised. 	Yellow	Green
2	The savings required are not delivered through the advice services review	<ul style="list-style-type: none"> • Finance were involved in the development of the business case and will be involved as review progresses. • Ongoing budget monitoring by finance lead • Alternative budget savings proposals identified if savings not achieved. 	Red	Yellow
3	Advice Services review does not begin in time to achieve savings for 17/18	It is anticipated that consultation can begin in October with a go live date on new structures of Jan 17 which leaves sufficient time to achieve the agreed savings	Yellow	Green

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG

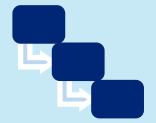
Risks & Issues

	Sept			Oct			Nov		
	1	2	3	1	2	3	1	2	3
Consultation begins				Green	Green	Green	Green		
Matching and Assignment commences								Green	Green

Project Dependencies

The Council's business support will need to be responsive and flexible to continue to support the development of advice services model.

Timescales and approvals for VERA/VR applications from staff within the scope will have a significant impact on future savings targets and project delivery plans.



Key Milestones

Communities and Families

September 2016

Current RAG



Initiative

Completed

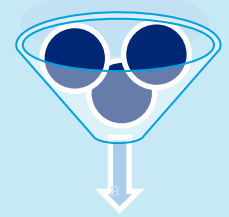
Planned



- **Outdoor Centres** – Formal consultation has been completed
- **Lifelong Learning** – Business case has been approved at CLT and project has now commenced
- **Edinburgh Leisure & Schools facilities** – report went to Corporate Policy and Strategy Committee on 14/06/16 and requested another paper in Oct

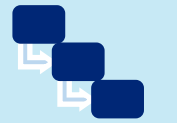
- **Outdoor Centres** – Currently in matching & Assign and implementation date is 3rd October 2016
- **Edinburgh Leisure & Schools facilities** – Corporate Policy Strategy paper is going to Committee on 4th Oct 16
- **Lifelong Learning** – Work on the project has commenced with a view to entering staff consultation period on the 10th October. Staff scope list is to be finalised this week and the pooling list to be finalised with HR

Activity



Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
TPR00125	The full organisation structure is still to be fully designed and as discussions become more details this might result in challenges in adhering to the agreed staff savings figure already set out	1) Regular workshops to discuss the new structure have been set up 2) Staff costing structure to be strictly adhered to when designing	Yellow	Green



Key Milestones

	Sept	Oct	Nov	Dec
Outdoor Centres				
Matching & Assignment		Green bar		
Lifelong Learning				
Design phase	Green bar			
Review phase (including staff consultation)		Green bar		
Public Engagement				
VR offers sent out			Green bar	

Project Dependencies

Asset Management – to support relocation of community based services within VCC, where appropriate, and to support the move to four localities for locally based Children’s Services (eg Children’s Social Work Practice Teams).

Business Support - service design to align with emerging business support structure in localities and schools.

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

Asset Management Strategy Transformation Programme - Update

Item number 7.2
Report number
Executive/routine
Wards

Executive summary

This report provides a progress report to the Finance and Resources Committee on the implementation of the Asset Management Strategy for Property and Facilities Management.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Asset Management Strategy Transformation Programme - Update

Recommendations

- 1.1 That the Committee:-
 - 1.1.1 Notes the continued progress in each of the key AMS Transformation Programme work streams; and
 - 1.1.2 Notes the development and content of the Management Information dashboard reports provided in Appendix A.

Background

- 2.1 The “Asset Management Strategy” (AMS) is a work stream within the wider Council Transformation Programme, aimed at achieving cost savings and delivering an improved service through a new operating model.
- 2.2 The AMS programme aims to create a credible, focused and sustainable delivery plan 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.
- 2.3 The Finance and Resources Committee considered the Property and Asset Management Strategy on 24 September 2015. Committee approved the adoption of an in-house delivery model which included a significant investment in technical support over the next few years. In November 2015, Committee further approve that this should be delivered directly by the Council rather than through a Council subsidiary.
- 2.4 This paper provides an overview of the status of the programme and the work completed over the last period.

Main report

- 3.1 Good progress has been made since June across the AMS work streams. A summary of progress is provided below and the Management Information dashboards containing further information and KPI's are provided in Appendix A.

Transition and Facilities Management

Transition

- 3.2 Due to a significant number of staff in Property and Facilities Management being unavailable for consultation during the school summer holidays, a decision was taken, in consultation with the Trade Unions, to split the remaining organisational review into stages.
- 3.3 The first stage, which includes non-Facilities Management staff below tier 4 launched the 45 day consultation period on the 23 August. The following stage, which includes all Facilities Management staff below tier 4, is scheduled to begin in November 2016. This approach is aiming to deliver a completed operational structure by April 2017. This takes account of the summer holidays and time required for any external appointments of the Head of Property and Facilities Management and the Facilities Management Senior Manager.

Facilities Management (FM)

- 3.4 The FM Service Level Agreement (SLA) has been drafted, and there is ongoing consultation with Service Customers to define scope and collate feedback and comments on service standards.
- 3.5 The FM team are continuing to design the service delivery models for soft FM services due for completion, in draft, by the end of October, so that the Business Case for the organisational review can be considered by the Corporate Leadership Team.
- 3.6 FM processes continue to be developed alongside the design of the future organisation structure to document and improve ways of working, including a complete re-design of the Helpdesk service within the Customer Contact Centre to enable the service to work more efficiently and effectively going forward.

Estates Rationalisation

- 3.7 Workshops on service location and the 'customer journey' have been held to develop the concepts of the public facing services at 249 High Street, which will support the relocation of services from other buildings such as 329 High Street, Lothian Chambers and 1A Parliament Square. The customer journey is being developed jointly between Customer, Property and ICT, with concepts such as the 'q-matic' queuing system supported by a triage system being deployed to improve customer contact. It is anticipated that some of the generic principles established for the High Street are also likely to be adopted in the localities' offices.

- 3.8 Public engagement in the Wester Hailes place based approach is running through September based on a series of discussions with the local community about the optimum location of services. It is anticipated that there will be a further report on the outcome of this in December.
- 3.9 Financial modelling for a potential Leith Partnership Centre, combining Council, Police, NHS and Third Sector agencies, has been completed and a report on the outcome is anticipated in November. It should be noted however that there is a funding gap associated with this proposal.
- 3.10 Council wide engagement is commencing on the optimum location of teams to support the locality operating model and Council wide functions. It is anticipated that this will result in a Council wide restack of office accommodation to bring together new teams and locate the teams in the right places. The co-location with partner agencies also features in this work, and will be developed through the Locality Leadership Teams. It is anticipated that the phased relocation of all teams will take around a year to complete.
- 3.11 Initial feasibility studies and high level cost plans for the development of three key sites in the depots estate has now been completed, with costs falling within the parameters of the budgets set out in the report to Council in February 2016. The first phase of development, a new Waste depot at Seafield, commenced on site in July, with anticipated completion in early 2017.
- 3.12 With regard to the Communities and Families estate, work is due to commence on the lifecycle costing for required new infrastructure to serve the rising rolls and Local Development Plan requirements.

Investment Portfolio

- 3.13 The new tier 3 and 4 managers for the Investments workstream are now in place and are finalising the draft Investment Portfolio Strategy. This includes a paper which outlines the recommended strategy for concessionary lets within the portfolio. Draft business cases have been prepared for a number of assets within the portfolio to test the business case template that has been prepared against the established performance criteria for the Investment Portfolio.
- 3.14 The need for an appropriate IT system to implement the strategy continues to be a major priority with work proceeding to ready the existing data for transfer when a suitable system, to meet the identified requirements, is obtained.
- 3.15 Business as usual continues to function with the portfolio rental income projected to increase in excess of the 2% per annum target for financial year 2016/17.
- 3.16 Opportunities for financial savings continue to be identified which will be recorded in the savings tracker for the workstream. Future major events in the portfolio, such as lease expiry dates for the major income producing assets have

been identified with work being undertaken now to protect against any temporary loss of income while the future of such assets are determined.

Asset Condition

- 3.17 It was clear that the Council's current approach and budget provisions relating to asset condition and maintenance is not sufficient to address the backlog maintenance requirements, estimated to be circa £20m per annum over the next 5 years. In response to this, the Asset Condition working group, has completed a forward strategy relating to asset condition and maintenance which was approved by the Corporate Leadership Team in March 2016.
- 3.18 Work is ongoing to prepare tender documentation to procure a delivery partner for the asset condition survey programme. Expressions of interest questionnaires have been issued to the CEC Building Surveying Framework and the CCS Estates Professional Services Framework to assess capacity and interest in the tender.
- 3.19 From the responses received, a decision has been made to issue the tender via the CEC Building Surveying Framework. ITT documents are currently being prepared and documentation will be issued to bidders in September.
- 3.20 Enabling information is being collated to support the survey programme comprising asset lists, building plans, site contact details and historic survey and health and safety information.
- 3.21 Further live testing of the CAFM functionality is ongoing to identify any functionality issues in preparation for the main survey roll-out. All activities and milestones are on programme to complete the survey exercise by summer 2017.

Next Steps

- 3.22 The following are the activities planned during the next reporting period:
- a. Complete the design and preparation to enable the next stage organisational review to launch. This includes completion of the analysis and assessment of current service models and the processes for FM.
 - b. Continue the roll out of the CAFM system to ensure the system meets the requirements and functionality of the new service going forward.
 - c. Continue to deliver the detailed engagement for each of the business cases approved by the Corporate Leadership Team in relation to estates rationalisation.
 - d. Complete the services engagement to define accommodation demand strategies at a high level, working closely with Locality Managers.
 - e. Further development of the Investment Portfolio strategy including completion of initial draft strategy and report on the recommended policy for dealing with concessionary lets.

- f. Commencement of the procurement process for the required asset condition surveys.

Measures of success

- 4.1 The AMS business case identified significant financial and non-financial benefits associated with the asset management and Property and Facilities Management function that are in line with the wider objectives of the Council's Transformation Programme.
- 4.2 A benefits tracker has been designed to monitor the qualitative and non-qualitative benefits of the AMS Transformation Programme and, where possible, the corresponding implementation costs associated with the initiatives. Although AMS aims to principally deliver revenue savings targets through estate rationalisation, organisational redesign and investment portfolio initiatives, there are also consequential impacts on the capital budget that also need to be monitored. This includes, for example, capital requirements as part of any implementation costs and capital receipts from any proposed disposal initiatives.
- 4.3 The benefits tracker therefore tracks the revenue and capital implications of any financial savings initiatives. These benefits, along with qualitative impacts, have been categorised into the following three areas:
 1. Direct cashable savings e.g. reduced operating costs from closure of a building;
 2. Non-cashable efficiencies e.g. the reduction in required revenue maintenance spend as a result of the building closure (which is then redeployed); and
 3. Qualitative benefits e.g. improved customer satisfaction in relocating a service to a property that is more fit for purpose.
- 4.4 The benefits tracker has been populated based on emerging findings to date. Further work is currently underway to refine initiatives in all work streams and, once respective milestones have been reached across these work streams, the benefits tracker will be fully populated and act as a baseline from which the benefits can be measured.
- 4.5 The Management Information dashboards provided in Appendix A have been developed to track key KPI's across the AMS work streams.

Financial impact

- 5.1 The total budget for AMS implementation is £7.7m, of which £3.4m has been allocated for external support. Other cost heads include the Estates Rationalisation (office restack), Condition Surveys, FM Training, equipment,

vehicles and ICT (CAFM). These sums can be contained within the remaining budget for AMS implementation.

- 5.2 The savings tracker has been updated recently to reflect the work currently underway. The tracker sets out the original AMS savings targets agreed with the Finance and Resource Committee in September 2015 and the AMS savings forecast through to 2019/20.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
TARGET					
Service Redesign Total	(0.400)	(0.300)	(1.800)	2.100	1.900
Estates Rationalisation Total	0.100	(0.200)	1.600	1.800	2.200
Investment Estate Total	0.000	1.300	1.800	1.900	2.100
AMS SAVINGS TARGET	(0.300)	0.800	1.600	5.800	6.200

- 5.3 While the savings forecasts are broadly in line with the original targets, there are a number of assumptions underpinning the projections. These include broad support by users of the Council estate for the new facilities management operating model; political and management support to deliver the estates rationalisation strategy; and support to reinvest capital from asset disposal to realise the objectives of the investments work stream together with an ability to increase some concessionary rents over the period.

Risk, policy, compliance and governance impact

- 6.1 Key delivery risks are provided in the Management Information dashboards provided in Appendix A.

- 6.2 The top delivery risks currently include:

- There is a risk that a lack of stakeholder and political support for the Property and Facilities Management transformation proposals leads to a failure to deliver the agreed cost savings
- There is a risk that a lack of capital funding, due to budget constraints, leads to the Councils inability to reduce the backlog maintenance across the estate
- There is a risk that a delay to the implementation of CAFM impacts on the delivery of the Blueprint and cost savings profile
- There is a risk that resistance by other Council services to new property strategies and service standards leads to a failure to deliver the required cost savings.

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, 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 greenhouse 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

- 9.1 Communications have been established with the Trade Unions and regular meetings are held in relation to transformation. Engagement across the Council is also underway in relation to the re-design of the FM function and the development of Service Level Agreements.

Background reading/external references

Please refer to [September 2015](#), [November 2015](#) and [January 2016/March 2016](#) Finance and Resources Committee papers.

Hugh Dunn

Acting Executive Director of Resources

Contact: Rob Leech, E Mail: rob.leech@edinburgh.gov.uk Tel: 0131 469 3796

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 A – Management Information Dashboard

Asset Management Strategy (AMS)

August/September 2016

Current RAG



Initiative

Activity

- Completed**
- Organisational Review for stage 1 closed on 11th April with remaining vacancies filled bar two for external recruitment.
 - Tier 5 org design approved at CLT for development to consult
 - First tranche of Estate Rationalisation business cases developed and submitted to CLT.
 - CLT approval to take forward the procurement of a delivery partner to expedite the Asset Condition survey programme.
 - Budget transfers for transitioned services to nearing completion
 - Review of TF Cloud CAFM system functionality.

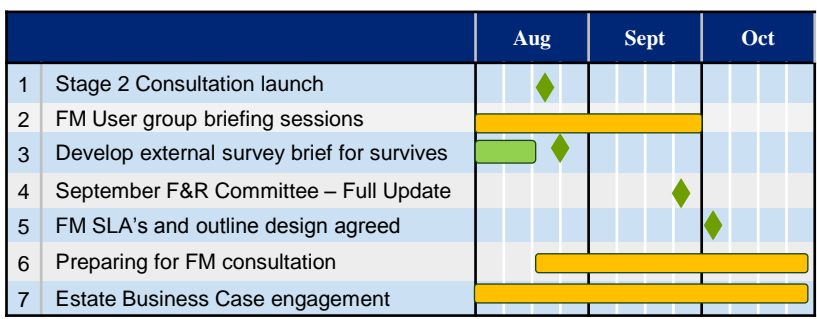
- Planned**
- Service Level Agreements (SLAs) engagement with key stakeholders - due diligence underway to finalise Soft FM design.
 - Estates Rationalisation initiatives continue to be progressed with engagement underway at Wester Hailes, 329 High Street and Lothian Chambers
 - Organisational Review tier 5 and below underway
 - FM organisational review targeted for November 2016
 - Continue preparation of all enabling information for the Asset Condition survey programme and the reparation of survey ITT documentation.
 - Continue process design work across SAM, Helpdesk and Asset Condition.

Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	RESIDUAL RAG
TPR00039	Stakeholder / political support There is a risk of failing to secure stakeholder / political support for property transformation proposals resulting in a delay or failure to deliver the anticipated savings.	Continued communication of AMS strategies with key service areas to facilitate a better understanding of the programme .Senior Management continue to engage with politicians with key briefings to be planned inline with the programme milestones.	Red
TPR00040	Backlog Maintenance Capital There is a risk that lack of funding for maintenance of the Council estate will lead to a significant backlog of works/repairs. Savings made in hard FM would need to be re-invested to meet Health & Safety requirements.	Decision has been taken to outsource surveys across the entire estate this year to enable recent data to be gathered asap. Programme currently in development.	Red
TPR00045	Service Area Buy-In Risk of service areas not accepting new service standards leading to working around newly implemented standards. This will result in benefits from the new SLAs not being fully realised. e.g. Head teachers not directly engaged in the process.	Ongoing interaction with Service Areas to collate feedback and concerns . Ensure senior support/endorsement during SLA briefings and sign off. Implement new service level performance processes to ensure buy-in is retained during early stages of SLA roll-out.	Yellow

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	No issues for escalation at this time		Yellow

Key Milestones



Key: On track In progress Attention

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
TARGET					
Service Redesign Total	(0.400)	(0.300)	(1.800)	2.100	1.900
Estates Rationalisation Total	0.100	(0.200)	1.600	1.800	2.200
Investment Estate Total	0.000	1.300	1.800	1.900	2.100
AMS SAVINGS TARGET	(0.300)	0.800	1.600	5.800	6.200

Estate Rationalisation

Workstream Dashboard as of 09 September 2016



KPI Tracking

KPI	RAG	COMMENTS
Number of projects at each key stage of the identified rationalisation process	Green	All projects currently on track
Reduction in operational property costs	Green	Baseline is 0 until project implementation
Increase in income from operational assets	Green	£167,600 of income
Reduction in operational estate footprint	Green	Baseline figures captured, no reduction yet
Increase in desk to FTE ratio	Green	% of the office portfolio working 7 to 10 ratio – baseline to be established
Number of teams supported in a co-located environment.	Green	Captured as pipeline projects come through
No of properties closed/exited	Green	1 Property has been exited by the Office Estate.

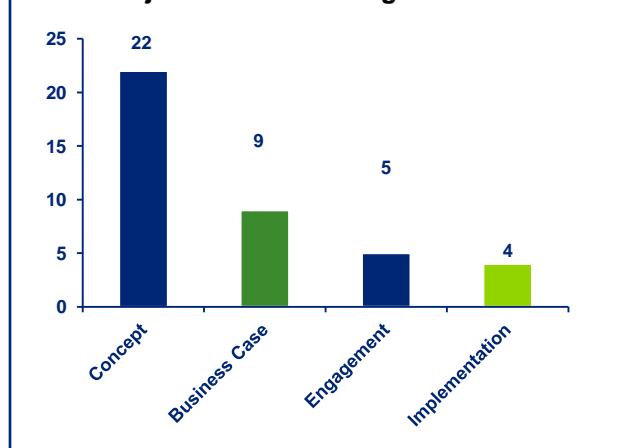
Information Required / Dependencies

1. Articulation of new localities model required, crucially, which teams, including partner agencies, should be located together.
2. Post headcount reduction picture required, with detailed breakdowns of team size from the Locality workstream and Health and Social Care.
3. Dependant on resources being employed to plan and run the office re-stack inline with the Locality Operating Model

Key Planned Activities

1. Continued engagement meetings with Service Managers and user groups for 329 High Street and Lothian Chambers to develop design for 249 High Street
2. Further refinement of approach to Community Centres and Libraries rationalisation
3. Continue to gather requirements for the full restack of Corporate Office Estate.
4. Development of the South Queensferry and Muirhouse business cases.
5. Stakeholder consultation and community engagement at Wester Hailes

Project Status Tracking



Key Risks

Risk	RAG
01 Risk of failing to secure stakeholder / political support for Estates Rationalisation proposals	Red
02 Risk of Service Areas not buying in to proposals	Yellow
03 Delay to locality plans and no clear demand strategies from other parts of the Council	Yellow



KPI Tracking

KPI	RAG	COMMENTS
Reduce number of concessionary lets to increase revenue by £775k by year 4.	Red	This requires considerable resource to put in place formal leases and political support in the case of third party organisations.
Review of property voids on quarterly basis to benchmark against Investment Property Databank (IPD) level of 7% based on total income.	Red	The majority of current voids are shown as development land or social assets with limited or no income prospects. Current true voids sit around 4%.
Benchmark income growth and maximisation against IPD levels quarterly which will provide a view on performance of the Investment Portfolio relative to the market. A comparison should be made quarterly, annually, 3 yearly and 5 yearly.	Yellow	This depends on a software system producing a standard reporting format on these KPI's Requirement to identify the current level of return to set base. This also depends on an Estates software module (CAFM) that can report on this KPI and interface with Finance to monitor rent and service charge arrears going forward.
To provide the Council with a quality secure income with a target of 2% pa growth rate.	Yellow	Identify targets and business case to retain, develop or dispose of assets to have a well balanced conservatively managed investment portfolio.

Key Planned Activities

1. Report on Concessionary Rents to CLT in autumn 2016
2. Agree budget and strategy to let vacant properties
3. Agree land values for land swap opportunities with Housing Department
4. Develop Business Cases for disposals/acquisitions and feasibility studies to maximise income from key assets
5. AMS Process Review Work
6. Review of potential acquisitions

Information Required/Dependencies

1. Accurate information on concessionary lets and information on grant funding or demonstration of evidence for concessionary let. Identify the difference in concessionary rents and ERV's to highlight the financial implications.
2. Identify potential for reducing voids where possible and budget implications
3. Agreement of value of land swap potential and valuations to match value of HRA portfolio
4. Information on Estimated rental values
5. Information on OMV's for disposals
6. Resources to undertake feasibility studies
7. Identify possible acquisitions to replace any loss of income

Key Risks

Risk	RAG
01 Lack of political engagement, resources ,support and approval on concessionary rents and rental increases.	Red
02 There is a risk that the outcomes from the wider Transformation Programme work streams could have a significant impact on Corporate Property initiatives such as the Investment Portfolio.	Yellow
03 Negative feedback from third party organisations and other Council services relating to communications over concessionary rents.	Yellow
04 Negative effect on investment market caused by uncertainty over Scotland's political future/EU Referendum.	Yellow



KPI Tracking

Progress Against Core Objectives





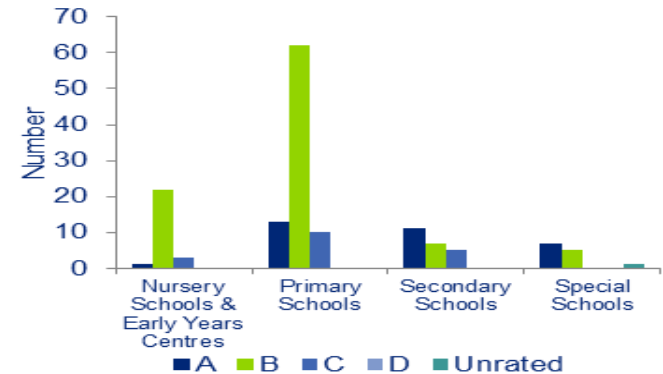
 Identify Backlog	Survey programme for FY16/17 forecast to achieve 20% total assets (not incl PPP and monuments). High level surveys on plan to achieve 30% total assets. Extrapolated condition ratings from historic data on the C&F estate shown in fig 1.0 opposite. ITT documents for external survey delivery partner in progress.
 Technology	CAFM functionality continues to be reviewed and tested to ascertain if the system will meet the future vision for hard FM and asset condition processes. A gap analysis and further recommendations has been prepared and a new CAFM project manager appointed.
 Delivery Model	The delivery models for Hard FM, Capital Works Delivery and the Survey programme are under review. New processes have been identified and will be developed as part of the asset condition work stream activities through to December 2016.
 Safer Estate	Ongoing investigations into PPP estate following the collapse of a gable wall at Oxfangs primary school. Intrusive surveys to be commissioned.

FIG 1.0 – Existing Condition Ratings Children and Families Estate



Key Planned Activities

1. Complete survey spec and ITT pack
2. Complete asset list and obtain missing GIA information
3. Test transfer of existing survey information to CAFM
4. Continue preparation of all enabling information for survey programme (drawings, H&S info etc.)
5. Commence development of level 3 asset condition processes

Info Required/ Dependencies

1. Input into procurement strategy and survey specification for outsourcing surveys
2. Completion of asset list and GIA information for survey ITT
3. Implementation of CAFM system to enable condition data to be uploaded
4. Cohesive development of level 3 processes alongside other Corporate Property & Facilities Management service areas

Key Risks

Risk No		RAG
01	Budget constraints restricts ability to reduce backlog	Red
02	Health and Safety risks in relation to asset condition	Red
03	Service disruption in relation to asset condition	Yellow
04	CAFM functionality does not meet expectations	Yellow



KPI Tracking

KPI	RAG	COMMENTS
No. FTE's delivering corporate property services	■	First stage org review complete. Remaining FTE reductions to inform next stages
Budget consolidation from service areas	■	Budget transfers nearing completion – monitoring underway
Progress of Departmental FTE's transferring into Corporate Property.	■	First stage transfers complete 31/12/15. Scope of transfers from H&SC established but deferred for further discussion
Number of people in post in new structure	■	First Stage of Org Review complete 2 nd stage underway and others to follow

Information Required / Dependencies

1. Executive and senior management support in leading the change and helping to secure the buy in to change; including Communities & Families in relation to FM re-design;
2. Demand strategies from localities and service areas;
3. Commitment to resourcing the design and implementation of level 3 process design.
4. CAFM project roll out including CGI and data cleansing of historic data sets to provide a single source of baseline information;
5. Management team delivery of inputs for formal consultations
6. Budget allocation to enable the Learning and Development to support new teams and roles.

Key Planned Activities

1. Complete 2nd stage of organisational review and commence formal matching and assignment process
2. Plan for FM Org Review: Design nearing completion and stakeholder engagement underway
3. Development and roll out of a programme to deliver the level 3 process design
4. Development of a plan that will identify and cost and plan the supporting L&D for new teams and roles
5. Continue delivery against new CAFM project and resource plans

Key Risks

Risk No		RAG
01	Inadequately skilled CEC management resource and early exit of PMO leads to failure to deliver culture change and operational changes needed to deliver savings	■
02	Gaps in structure following internal recruitment result in a detriment to service provision	■
03	Lack of interim budget management arrangements of budgets transferring into Corporate Property leads to significant overspend	■
04	Risk of increased absence and attrition due to change in management (and remote management) and job insecurity impacting on service delivery skills loss.	■



KPI Tracking

KPI	RAG	COMMENTS
New SLA's developed	■	Further stakeholder engagement with Schools Working Group required to endorse SLAs pre consultation
Optimised organisation structure and service delivery models	■	Arcadis qualifications and assumptions to be reviewed before agreeing final workforce sizing
Budget vs chargeable costs determined	■	Mechanism for recharging to be developed. Charging for Edinburgh Leisure to be agreed

Key Planned Activities

1. Validate analysis and complete sizing of service models – This will be based on feedback from key stakeholders
2. Focused SLA and Service Portfolio Matrices communication and engagement with a view to gaining sign off by end of 2016.
3. Plan hard services delivery model procurement
4. Ongoing CAFM design and implementation

Information Required / Dependencies

1. Final building/budget data validation
2. Feedback from key stakeholders on outline service delivery proposals
3. CAFM system transition
4. Development of to-be Level 3 process and activities

Key Risks

Risk	RAG
01 New service delivery plans are rejected by the key stakeholders	■
02 Data errors impact accuracy of workforce sizing calculations	■
03 Delayed implementation of CAFM/helpdesk systems and migration of data impacts service transition	■
06 Changes to FM service SLAs lead to industrial unrest or action in service areas, due to disagreement over changes.	■

Finance & Resources Committee

10am Thursday 29 September 2016

Governance of Major Projects: progress report

Item number	7.3
Report number	
Executive/routine	
Wards	All

Executive summary

The former Policy and Strategy Committee on 7 August 2012 agreed the supervision of major projects, namely those with a value of over £5million or which are particularly sensitive to the Council's reputation. This report contains an update of the major projects portfolio and assurance reviews.

Links

Coalition pledges	P03, P20, P23, P27, P28, P36, P41, P44, P47, P49, P51, P53
Council outcomes	C01, C02, CO25, CO26
Single Outcome Agreement	All

Governance of Major Projects: progress report

Recommendations

- 1.1. It is recommended that Committee notes:
 - 1.1.1 the current synopsis of the dashboard reports for the major projects portfolio set out in appendix 1;
 - 1.1.2 the completed Assurance Review St James Quarter assurance review set out in 2.6; and
 - 1.1.3 a close report has been received and Health and Social Care Integration has now been removed from the portfolio.

Background

- 2.1 On 7 August 2012 the former Policy and Strategy Committee agreed the oversight of major projects, namely those with a value of over £5million or which are particularly sensitive to the Council's reputation.
- 2.2 In May 2016, the Corporate Programme Office (CPO) function was transferred to the Transformation Team (Portfolio and Governance) in the newly created Strategy & Insight Division.

Main report

Current Reporting Arrangements

- 3.1 Project Managers of each of the major projects are required to complete bi-monthly dashboard reports for each project. These reports seek to establish how key elements of the project are progressing and aim to ensure there is clear visibility of the status of each major project within the Council.
- 3.2 Content and sign off of each dashboard report remains the responsibility of the SRO/Sponsor.
- 3.3 A synopsis of the latest set of dashboard summaries is contained in appendix 1.

Assurance Reviews

- 3.4 An assurance review on Edinburgh St James, Quarter has been undertaken, this was in advance of the departure of the SRO at the end of June and an Amber Rating assigned. This status should be reviewed in light of the reliance on an

SRO contractor who was scheduled to imminently stop working with the Council. The Executive Director of Place, with legal and financial support, will provide continuity and co-ordination attending fortnightly meetings in the interim.

- 3.5 An Assurance Review has recently been undertaken on the ERP Project by a cross cutting Team from Transformation, PWC, Internal Audit and Finance. This project will deliver an integrated Finance, Procurement, Accounts Payable, Accounts Receivable, HR and Payroll solution to replace the existing Oracle, iTrent and PPSL systems. The outcome of the review will be reported to Committee in the next Governance of Major Projects report.

Composition of the Portfolio

- 3.6 New St John's RC Primary, Queensferry High School and Meadowbank Redevelopment are all reporting in the portfolio for the first time. Communities and Families will provide reports on Early Learning & Childcare and Rising School Rolls from the next reporting cycle.
- 3.7 Discussions with are ongoing with Senior Management around identifying new projects which would merit inclusion in the portfolio and these will be added in due course.
- 3.8 A Project Close report for Health and Social Care Integration has been received and it recommended that this is now removed from the major projects portfolio.

Major Projects Delivery Unit

- 3.9 Delivery of major capital projects is critical to support the Council to continue to achieve outcomes for citizens and communities. At present a number of major projects depend on external expertise or consultancy support to assure that each is delivered to a high standard, on time and within capital budgets.
- 3.10 As the Council continues to transform and develop a future focused skills mix, the major projects area has been identified as an area for the introduction of a new delivery model and unit. An outline business case is currently being prepared for consideration and an update on the new arrangements will be provided in the next report.
- 3.11 This new delivery model and unit will propose a best practice portfolio approach to the management, delivery and governance of change initiatives across the Council. Portfolio Management realises that delivery is only half the battle. Just as important is whether or not the programmes and projects being delivered are the 'right' ones and whether the return on investment and contribution to strategic objectives are delivered. Portfolio Management can help with this by ensuring that:

- programmes and projects undertaken are prioritised in terms of their contribution to the organisations strategic objectives and overall level of risk;
- the portfolio of change initiatives is collectively sufficient to achieve the desired contribution to strategic objectives;
- programmes and projects are managed consistently to ensure efficient and effective delivery; and
- benefits realisation is maximised to provide the greatest return (in terms of strategic contribution and efficiency savings) from the investment made.

Transformation and Business Change Support

3.12 The new structure for the Transformation Team includes expertise in portfolio and programme management, change management and process improvement reflecting and building on the success of the CPO. This team is now operational and will work with the wider Strategy and Insight Division to provide an integrated change and service improvement resource to the Council. This service has been designed to improve future levels of capacity for support and assurance.

Measures of success

4.1 A successful project delivers its output(s) on time, on or under budget and to quality standards agreed with its stakeholders. The reporting arrangements seek to ensure transparent and consistent reporting across all major projects by analysing key milestones, benefits, financials, risk and governance processes.

Financial impact

5.1 There are no financial implications directly arising from this report. The financial impacts of major projects will also be reported through the revenue and capital monitoring process.

Risk, policy, compliance and governance impact

6.1 The process of reporting and senior management oversight of risk within the project portfolio serves to strengthen the control environment and where appropriate prompt mitigating action. The Transformation team forms an independent risk assessment of each key project aspect taking account of a number of factors including the adequacy of resources, confidence in ability to deliver, and the potential impact of the risk.

Equalities impact

7.1 Equalities impact assessments are carried out within individual major projects and addressed in separate reports to Council or committee.

Sustainability impact

- 8.1 Each project within the major projects portfolio is responsible for undertaking its own sustainability impact assessment.

Consultation and engagement

- 9.1 Consultation and engagement is carried out within individual projects and is addressed in separate reports to Council or committee.

Background reading / external references

[Governance of Major Projects](#)- Finance and Resources Committee, 17 March 2016

[Governance of Major Projects](#)- Finance and Resources Committee, 9 June 2016

Andrew Kerr

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Coalition pledges

- P03** - Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools
- P20** - Work with the Scottish Government to deliver a larger return of business rate receipts as part of the Business Rates Incentivisation Scheme (BRIS)
- P23** - Identify unused Council premises to offer on short low-cost lets to small businesses, community groups and other interested parties
- P27** - Seek to work in full partnership with Council staff and their representatives
- P28** - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city
- P36** - Develop improved partnership working across the Capital and with the voluntary sector to build on the "Total Craigroyston" model
- P41** - Take firm action to resolve issues surrounding the Council's property services
- P44** - Prioritise keeping our streets clean and attractive
- P47** - Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs
- P49** - Continue to increase recycling levels across the city and reducing the proportion of waste going to landfill
- P51** - Investigate the possible introduction of low emission zones
- P53** - Encourage the development of Community Energy Co-operatives

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.
- CO25** – The Council has efficient and effective services that deliver on its objectives.
- CO26** – The Council engages with its stakeholders and works in partnership to improve services and deliver on agreed objectives

Single Outcome Agreement

All

Appendices

Appendix 1 - Overview of major projects portfolio – as at 01 Aug 2016

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
MP2	Connected Capital	<p>Programme now aligned to ICT.</p> <p>Wireless Concession –Installation works are continuing and are now over 60% complete in the City Centre. Over the coming weeks Intechology will be powering up the buildings which will provide the live network and will test performance and tweak as required during the phased rollout. Any remaining assets will be installed after the summer festival period is over. Work will also continue with partners to promote the network and a successful ETAG breakfast briefing was held on 21st July with approximately 60 businesses from the tourism sector attending.</p> <p>Public Buildings Wi-Fi – 66 buildings are now live with 1 building still to be connected.</p> <p>Rest of Scotland roll out – Roll out in Edinburgh is currently underway with significant activity expected over the next 6 months. Work is starting with Digital Scotland to stimulate demand in those areas where cabinets are now live and will be liaising with the relevant Neighbourhood Partnerships and Community Councils.</p> <p>Scottish Government/Scottish Futures Trust Public Buildings Wi-Fi Funding – CEC has been successful in gaining capital only funding of approx £250k to put in place public wifi in up to 26 buildings (Homeless Hostels, Young People’s Centres , Day Care Centres and Community Centres). CGI are currently working on costings for this project.</p> <p>CityFibre – this work stream is now being reported under the WAN project in the ICT</p>	<p>Project now closed from a BDUK perspective.</p> <p>Wireless concession now proceeding to roll out. .</p>	Spend within budget.	<p>Assurance Review completed with focus being on the Wireless Concession project and found that good project management techniques had been employed in delivery of the project to date.</p>	<p>Faster and better broadband connections to SMEs via a voucher scheme contributing towards costs of connection.</p> <p>Wireless coverage in some public places, public buildings and across the Lothian Bus and Edinburgh Trams fleet.</p>	Risk: Amber

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		transformation programme					
MP8	James Gillespie's Campus	<p>The teaching block was completed in April 2015 and is already occupied by the school. Bruntsfield House summer 2015 works were completed within programme.</p> <p>The Sports and Performance Blocks were due to have been completed on 15 July 2016 however this was not achieved as there were a range of works which remained outstanding and required to be completed before Practical Completion could be confirmed (by the independent tester) and the buildings certified for occupation by building control. The Practical Completion Certificate was expected to be issued by early August and the necessary work to decant into the building is still being progressed.</p> <p>Phase 3 works (externals) have commenced and are due for completion in advance of the start of the school term.</p>	Phase 1 (teaching block) and Secondary School decant complete. Phase 2 (performance and Sports blocks and other site infrastructure) completion scheduled for August 2016.	<p>Phase 1 costs have now been received from HubCo/Tier 1 meetings ongoing to finalise. All costs are within the expected limit. Phase 2 costs, where still to be agreed, have been given a budget and all costs are expected to be within the expected limit.</p> <p>No additional costs expected for Phase 3.</p>	<p>Works and 12 month defect period now concluded for the Design and Build Contract.</p> <p>Lessons Learned exercise undertaken with the contractor and representatives from the School and Council.</p>		Risk : Green
MP10	National Housing Trust	<p>The National Housing Trust (NHT) is a national funding mechanism for the delivery of mid market rent affordable housing funded by local authority on-lending and backed by Scottish Government guarantees.</p> <p>NHT Phase 2B – Under construction</p> <p>Three settlements have successfully taken place at Sandpiper Road for 38 homes which are all tenanted. In total, 96 homes are due to</p>	On time.	The City of Edinburgh Council on 12 Feb 2015 approved borrowing for phase 3 of up to £54. 998m. Forecast to complete within budget.	Previous Assurance Review completed with status of Green.	<p>Provision of affordable housing.</p> <p>Neighbourhood regeneration and creation of jobs and training opportunities.</p>	Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>complete in 6 phases before the longstop date of 31 December 2016.</p> <p>NHT Phase 3 – On site / site commencement expected shortly</p> <p>All NHT Phase 3 projects are now in contract and either on site or about to commence construction. for three projects which will deliver up to 368 new affordable homes.</p> <p>Signing of the final NHT Phase 3 contracts (Shrubhill) took place on the 20th June 2016. Places for People reduced the number of units to be included in the Shrubhill NHT project from 167 units to 150 units.</p> <p>NHT Phase 1 – Completed</p> <p>All 422 homes are completed and tenanted.</p>					
MP11	21st Century Homes	<p>Gracemount: development complete and all properties let. Work progressing on Phase 2 with £735k secured in developer receipts.</p> <p>Greendykes C: development complete and all properties let.</p> <p>Greendykes G: Planning application for 75 homes submitted in June. Following planning consent, tenders will be invited to deliver the development.</p> <p>West Pilton Crescent: development complete and all properties let. Final homes handed over</p>	<p>Programme progress within target timescale. Only minor change in the period is the awaited approval of matters specified in conditions for North Sighthill, as the consultation period was extended on behalf of the community.</p>	Within budget	<p>Greendykes was a runner up at the Homes for Scotland awards in the Best Partnership in Affordable Housing Delivery category.</p> <p>West Pilton Crescent won Saltire Awards for Multiple Housing Development, and Landscape in Housing.</p> <p>Pennywell won the City Regeneration of the Year award at the Scottish</p>	<p>Community Benefits including employment and training opportunities.</p> <p>Increasing affordable housing supply across the city.</p> <p>Providing support to the</p>	Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>on 20 October 2014. All properties have been let.</p> <p>Pennywell: works started on phase 1 (108 Council and 85 Private homes) on 23 June 2014. Handover of the first Council homes has taken place. Enabling works have commenced on Phase 2 which will see 75 Council and 102 Private homes delivered.</p> <p>North Sighthill: Keepmoat Scotland Ltd were appointed preferred bidder by Finance & Resources Committee in Jun 2016 to deliver the development. Design work is underway and a site start expected in early 2017.</p> <p>Leith Fort: Works completion anticipated in mid 2017 and will deliver 32 Council and 62 RSL homes.</p> <p>Small Sites Project: 7 additional sites, tenure mix and energy strategy are to be reported to the Political Sounding Board in September. A delivery plan is being developed with the Council's procurement team. A report was taken to Finance and Resources Committee in Feb 2016 seeking approval to award contracts.</p>			Property Awards in March 2016, and the RICS award for Regeneration in April. The project was a finalist in the Scottish Home Awards Affordable Housing Development of the Year.	economy and construction industry.	
MP12	New Boroughmuir High School	<p>The contractor (OHMG) has received an extension of time of four weeks due to the adverse inclement weather.</p> <p>The revised completion date is now 23 October 2016. The contractor is reporting works are now on programme to deliver to the revised</p>	Whilst the status was previously set at red due to the delay against the original completion date, this has now been changed to green reflecting the position	A total of 33 change orders requests have been raised to date, 27 change order requests have been authorised. Three change orders require	<p>A Clerk of Works is being employed to ensure the works are undertaken to the expected quality standard.</p> <p>A Technical Advisor is employed to carry out further inspections and to ensure the</p>		Risk: Green Project disciplines in place to deliver to the revised

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>completion date.</p> <p>Weekly review of actual progress against the planned programme is ongoing for monitoring purposes with monthly principals meetings being held between the SRO and senior management of the contractor.</p> <p>The concrete pours to all levels are now complete. M&E 1st fix has commenced to levels -01, 00 and 01. Internal partitions have now commenced to level 01. Works to the external envelope are now progressing to level 02.</p> <p>Steelwork to the atrium roof has now commenced.</p> <p>Roadworks are ongoing to Viewforth and, following discussion with the roads department, are now due to be completed by end of July.</p>	<p>relating to the revised completion date for which a detailed programme to completion has been provided by the contractor against which progress will be closely monitored and reported</p> <p>Discussions are currently ongoing with the school regarding the move to the new building which is now anticipate to take place around the Christmas 2016 break with pupils moving to the new school at the start of the Jan 2017 term. The intervening period between contract completion and occupation will allow time for pupils and staff to become familiar with the new school in advance of moving to it.</p> <p>This change has been communicated to the school community.</p>	<p>to be returned by the contractor with the cost and programme implications. The estimated order of cost remains within the client contingency retained in the project budget.</p>	<p>main contractor undertakes all quality inspection and completes all the necessary quality documentation.</p> <p>Lessons Learned exercise undertaken with the contractor and representatives from the School and Council.</p>		<p>schedule</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
MP13	New Portobello High School	<p>In the previous report to CLT it had been acknowledged that BB would be unable to meet the contract completion date of 15 July 2016 due to delay in receipt of an approved drainage connection proposal by Scottish Water. Agreement has since been reached to deliver a temporary solution that will allow BB to establish a deliverable programme that will enable the school to open after the October 2016 break with a revised contract completion date of 10 October 2016. A 'Decant' working group is progressing activities to ensure successful transfer and operation of the school from this date.</p> <p>The fabric and structure of the building and landscaping is almost complete with only minor elements still to be completed. Permanent connections for gas, water and electricity are now in place.</p> <p>The status has been reset at green due to the revised programme and the positive progress towards meeting the revised completion date.</p>	Since the previous report to CLT, BB has secured the necessary temporary and permanent drainage connections with Scottish Water which allows BB to take control over the remaining elements of the programme and agree a contract completion date of 10 October 2016.	The forecast costs to completion are within the project budget	<p>Regular inspections are undertaken to ensure that the appropriate standard is being maintained.</p> <p>Lessons Learned exercise undertaken with the contractor and representatives from the School and Council.</p>	BB have made further progress in the delivery of the targets within their Community Engagement Plan which currently includes direct involvement in: opportunities for work placements; youth involvement events and volunteering opportunities. The plan also covers local employment, new starts, and working directly with Action for Children; progress on all of which is reported through the monthly update from BB.	<p>Risk: Green</p> <p>Status has been set at Green due to issues outwith the control of BB being resolved and progress being made to deliver all remaining outstanding works by the new contract completion date.</p>
MP29	Water of Leith, Flood	Design works are progressing to allow construction to proceed as planned. However	The project team are working on an updated	Programme cost is within budget.	Assurance Reviews have been included in the programme	Protect 492 residential &	Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
	<p>Prevention Scheme</p> <p>Phase 2</p>	<p>design check is falling behind and is being addressed at a senior level.</p> <p>Construction works are progressing well; piling is about 50% complete, flood wall construction is progressing.</p> <p>The gas main was decommissioned on 20 June 2016 and as such all the advanced utility works are complete.</p>	<p>programme; at this time there is no reason to suggest that the planned completion will not be met.</p>		<p>plan at scheme definition (Sept 2014) and prior to award of contract (Nov 2015), with the pre-contact award review finding that the overall project status is Green - delivery highly likely.</p> <p>Ongoing stakeholder engagement activities have raised no significant issues. Health & Safety and Environment plans are in place.</p>	<p>commercial properties.</p> <p>Reduce dependency on temporary flood defences.</p> <p>Provide enhanced access to the riverside.</p> <p>Improve quality of life for residents affected by flooding.</p>	
MP22	<p>Zero Waste: Edinburgh and Midlothian</p>	<p>Food Waste Transition Project</p> <p>All main elements of construction work are complete. The facility is still in the commissioning stage with the Partner Councils' food waste having been ramped up throughout June and July.</p> <p>Residual Waste Procurement</p> <p>Due to extended negotiations with funders, Financial Close is now expected in August 2016. The Service Commencement date is anticipated to be March/April 2019, in advance of the Landfill Ban. During pre-engineering works currently being carried out by FCC, a manhole and culvert was identified on the site.</p>	<p>Food Waste Transition has experienced slippage. Service commencement delayed from late Dec 2015 to Nov 2016.</p> <p>The residual waste project working assumption on service commencement has moved back from the end of 2018 to March/April 2019.</p>	<p>Food waste- the contractor is picking up the costs for the delay in the commencement of the food waste service.</p> <p>Residual waste following a meeting with FCC and their funders on 20 July, there is now a high level of confidence that the project will reach financial close</p>		<p>Benefits</p> <p>Realisation Plan remains under construction</p> <p>Discussions are ongoing with SEPA and ARE regarding the cessation of delivery of food waste to Powderhall as it moves to delivery to Millerhill.</p>	<p>Risk: Amber</p> <p>Planning risks are of a low likelihood but carry very severe impacts should they materialise.</p> <p>Substantial mitigation strategies agreed by the Project Board are in place.</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		A technical solution is available and the commercial aspects relating to this are close to agreement.		<p>in September 2016.</p> <p>There are still a variety of factors affecting price that will not be resolved until financial close, including foreign exchange and interest rates. Overall however, despite the poorer foreign exchange rate the programme expects to be in no worse financial position from that at final tender. Whilst this cannot be guaranteed until the contract is signed, the recent lowering of interest rates is a main factor that has balanced out the negative foreign exchange. There is currently a very high likelihood that the final position at financial close will be affordable and can be met from existing landfill budgets. The</p>			

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
				capital budget is overspent by £0.6m. This has been agreed by the Project Board subject to internal agreement by the Councils. The overspend is primarily related to additional works to the new bridge which Transport Scotland incurred and additional costs to Midlothian Council related mainly to the delayed handover of the bridge.			
MP25	Forth Replacement Crossing	<p>Transport Scotland (TS) is the lead agency for construction of the bridge. The Forth Crossing Act sets out the process of some enabling road and property assets to the Council as the Local Authority and Roads Authority.</p> <p>Due to the revised bridge opening programme (May 2017), TS to CEC asset handover is likely to be postponed until early 2017.</p>	As Transport Scotland (TS) is the lead agency, CEC has no influence on delivery timescales.	As TS is the lead agency no budget information reported.	<p>Work in progress with Transport Scotland to define adoption extents, clarify handover, and quality assurance processes.</p> <p>The North West locality team will liaise with TS to ensure that transferred assets are of good quality and do not expose the authority to maintenance liability and risk.</p>	Enhance transportation links locally and nationally.	Risk: Amber

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
MP30	Recycling Service Project	<p>All properties within the scope of the project have now switched to the new service, including the withdrawal of the replacement of the red and blue box service in tenemental areas with improved on street communal bin recycling.</p> <p>The Dry Mixed Recycling (DMR) contract has now been advertised via Scotland Excel Recyclable and Residual Waste Framework. Anticipated contract commencement date 1 November 2016.</p>	Project complete. DMR contract advertised with anticipated contract commencement date of 1 November 2016.	The Recycling Redesign cost centre is currently under pressure. Current financial modelling estimates that will deteriorate further by the year end. There are a number of variables that could affect this figure such as; level of contamination within the contingency supplier, variation in the scope of additional phases. The team are actively reviewing options to mitigate additional costs where possible	<p>Increased Recycling rates across the city.</p> <p>Contamination workshop to identify new procedure of for dealing with persistent contamination issues.</p>	Reduction in landfill kg's/hh/wk from 7.7 kg's to 4.7kgs for phase 1 households and increase in recycling kgs/hh/wk from 1.9kgs to 3.6kgs.	<p>Risk Green</p> <p>Project closed and formal project closure documentation to be agreed.</p>
MP31	Fleet Review	Procurement of new waste collection fleet nearly complete with 39 new vehicles now in operation and only new food waste vehicles left to be procured. 268 new small vans and cars also procured. A refreshed fleet review project is now underway involving Fleet and EY (as part of the Commercial Excellence Programme) to reassess and quantify future vehicle requirements through a series of 'challenge' sessions with service managers with the aim of reducing the overall size of the council fleet, developing a more sustainable and transparent costing methodology support	The wider fleet review is behind schedule however action has now been taken to bring management to this project	Procurements completed to date have seen significant reductions in spend on external hires and vehicles off road (VOR) due to maintenance and servicing. The Fleet budget has been adjusted to reflect the £1.3m of savings and managed to	<p>Working with department and the transformation programme to define future requirements.</p> <p>Discussion ongoing to assign a PM resource from the transformation team.</p>	The programme is designed to deliver efficiencies and it is anticipated that in the longer term this can be exceeded	<p>Risk Amber</p> <p>Behind schedule, but remedial action now being taken to drive this project forward</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>improved budget management, and implementing a procurement programme that will fully realise efficiencies and economies of scale. This was reviewed at CLT on 10 August.</p> <p>The scope of the review is now being considered and whether to compile a revised business case and take this to CLT at an early stage</p>		<p>deliver a £0.5m surplus in 2015/16 and is forecasting a balanced out-turn for 16/17</p>			
MP32	Programme Momentum (previously Property Conservation / Shared Repairs)	<p>The Programme continues to draw to a close with Customer contact now receiving fewer enquiries, complaints and FOI requests received each month.</p> <p>The settlement team have now issued letters to all complainants and other affected owners. Deloitte have completed all case reviews. Morton Fraser continue to lead on debt recovery with significant progress being made and the recovery rate increasing on a monthly basis.</p> <p>Phased implementation of the new service commenced on 1 Sep 2015 and will run through until March 2017. A number of projects have been identified to test the new service procedures.</p>	Programme is currently progressing to schedule.	<p>A provisional budget has been reviewed by the Project Board. Additional provision requires to be made in expectation of the costs of defence of legal cases, expert witness costs, additional case reviews, defect reparations, record maintenance, claims recovery and associated consultants costs. The Project remains a key financial and reputational risk to the Council.</p>	<p>The last Assurance Review gave Programme Momentum an Amber-Green status: delivery probable. Main areas of concern centred on the budget allocation for the new service, the continuing validity of the Business Case, the impact of recent changes in the Project team and resulting gaps in resource, issues with recruitment of technical staff, and the need to ensure Elected Members have a clear understanding of the costs of the new service and the limitations of their role within it.</p>	<p>Reduce outstanding debt and billing of completed work.</p> <p>Resolve all complex and deferred complaints.</p>	<p>Risk: Amber</p> <p>Reputational and ability to realise full debt.</p>
MP33	Edinburgh St James	The Growth Accelerator Model (GAM) Agreement is between the Scottish	The over-run of the CPO inquiry has had a knock	Contractual arrangements have	Assurance Review assessed as Amber	Redevelopment creating	Risk: Amber

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		Government, the Council, and THRE has now been signed by the Coujcil.	on effect to the commencement of works on site.	been structured to minimise financial risk to CEC. To date all costs incurred by the Council have been reimbursed by the developer. Present GAM works budget has been reduced.	Review of resource to support this project from a Council perspective is required. As project moves towards a construction phase on a development of this scale, a robust communications protocol is essential. There is a Communications Strategy in place, however this has yet to be signed off by the developer due to other factors. This is an essential part of the Council's co-ordinating role going forward on this project.	42,500m2 of high-quality retail space, deliver 2,300m2 of grade A office space, a 210-bedroom five-star hotel, a 152-bedroom four-star hotel, a 55-bedroom apart-hotel, a theatre, restaurants and 138 residential units.. There are a number of Community Benefits including increased employment and training for unemployed and harder to reach group.	.
MP34	ICT Transition & Transformation Programme	Migration of the Council's primary data centre from BT's Capital Exchange (CapEx) facility to CGI's data rooms was delivered at the end of June. Following migration activities, CGI have formed a dedicated task force to optimise system performance and address network	Transition activities are in the main complete with some remaining performance optimisation work underway.	Currently projected to be delivered within budget.	Assurance Review for ERP with SRO. System performance issues	Benefits are due to accrue from 2016/17 onwards; the planning for Benefits	Risk Amber Due to slippage in delivery of key

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>issues.</p> <p>Rollout of the first phase of the WAN was successfully completed on 30 June.</p> <p>A number of ICT Transformation Projects commenced in October 2015 and are in various stages of delivery. Bulk Printing, Secure Cheque Printing and BACS Service are complete, leaving twelve in delivery. At time of writing these transformation workstreams, including ERP and Enterprise Integration (supporting Channel Shift) are behind schedule.</p>	Transformation workstreams including ERP and Enterprise Integration are behind schedule.			<p>Realisation and delivery of Community Benefits and use of local SMEs is at an advanced stage. SME engagement has started early.</p> <p>New WAN circuits (for example Drummond Community High School are noticeable faster)</p>	transformational projects.
MP36	Tram Extension and Leith Programme	<p>In January 2015 there was a decision to integrate the Tram Extension and Leith Programme Boards. Governance arrangements are now in place and work broken down into five workstreams, namely Commercial, Technical, Finance, Acquisition and Work. A Programme Management Office is being formed to support the Programme and preparatory work is being undertaken to appoint Commercial, technical and legal advisors.</p>	<p>Committee Decision Point around the Tram Extension is currently scheduled for June 2017..</p> <p>Budget shortfall is currently projected by both elements.</p> <p>Leith Programme currently projected to complete Phase 4 in May</p>	Tram Stage 1 and Land Acquisition both within budget allocation and team is looking into potential shortfall in funding for Leith Programme Phase 6 and this will be brought back to CLT following consideration by the Board.	<p>Programme Board has reviewed lessons learned to date in developing the extension to Newhaven and these have been integrated into Outline Business Case and Commercial Strategy.</p> <p>Consideration to retaining legal knowledge in supporting the Council through completion</p>	<p>The tram extension is to support the overall level of economic growth of Edinburgh through enhancing the viability and attractiveness of major</p>	Ongoing work to manage the interface with the St James Quarter development.

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
			2017 and Phase 5 in December 2017.			housing and employment sites identified in Local Development Plans.	
MP37	St John's RC Primary School	<p>The St John's Primary School project will see delivery of a new build 14 class 2 stream primary school accommodating 462 pupils on the site of the existing Portobello High School and will incorporate a 40/40 nursery with additional accommodation for 20 2-3 year olds.</p> <p>In addition the project will also see;</p> <ul style="list-style-type: none"> • The formation of a secure seven aside all-weather pitch. • The creation of a 2.16 hectare public space to be known as Treverlen Park. This will be a separate project to follow completion of St John's RC Primary School. • Demolition of St John's RC Primary School. • Demolition of the current Portobello High School. <p>The project is being procured under a traditional form of contract. Delivery is currently in RIBA Design Stage 4 having successfully passed Gateway Review Stage 2 (RIBA Stage 3). The planning application has been lodged and initial comments received from CEC which are being responded to by the lead designers, Holmes Miller.</p>	In the period of this report the procurement of the demolition of the existing Portobello High School has commenced. Contract award is scheduled for 23 August 2016 with mobilisation due on 24 October 2016 following the decant of Portobello High School	Feasibility options require be carefully selecting and appropriately costing and benchmarking in order to demonstrate most the solution that provides the best value for value for money for CEC. Scottish Government Funding is based on an inflation uplift which is now capped to Q2 2017. Current programme anticipates Stage 2 being submitted in 4Q 2017 which would indicate a possible two quarter shortfall in indexation. Note: Following Brexit there is uncertainty about whether prices will go up or down. It is		<p>Supports the following Council outcomes;</p> <ul style="list-style-type: none"> - Our children have the best start in life, are able to make and sustain relationships and are ready to succeed. - Our children and young people are successful learners, confident individuals and responsible citizens making a positive contribution to their communities. 	Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
				highlighted that the final price will be determined after a comprehensive market test.			
MP38	New Queensferry High School	<p>Delivery of new Queensferry High School, under the Scottish Government's Schools for the Future Programme Phase 4. Due to the way in which the (part) funding will be provided by the Scottish Government the project will require to be delivered through a DBFM contract with Hub South East Scotland Limited (HSESL).</p> <p>HSESL have been engaged by CEC under a Strategic Support Services (SSS) agreement to carry out a pre-NPR (New Project Request) feasibility exercise to determine the preferred feasibility option, affordability cap and Council funding requirement for consideration by Council on 22 September 2016. Upon (and assuming) Council approval, the formal NPR application would be submitted to HSESL.</p>		<p>Feasibility options require to be carefully selected and appropriately costed and benchmarked in order to demonstrate most the solution that provides the best value for value for money for CEC. Scottish Government Funding is based on an inflation uplift which is now capped to Q2 2017. Following Brexit there is uncertainty in the construction industry.</p>	<p>Council approved the replacement of Queensferry High School on 25 September 2014. Due to the significant time which has elapsed since Council considered this matter, the projected costs to deliver the project require to be reviewed. In addition, in light of the current and future housing development in the area, the review the capacity requirements for the replacement school</p>		
MP39	Meadowbank Redevelopment	<p>The way forward for the project to redevelop Meadowbank Sport Centre was approved by Council on 10 March 2016. The project comprises the development of a Masterplan proposal for the site for which Planning Permission in Principle will be obtained and the proposed redevelopment of the Meadowbank</p>		<p>No Budget Information supplied</p>	<p>Following a technical review of the previously commissioned Development Brief (Masterplan) and Stage C (sports facility) design reports, the Council has embarked on a programme</p>		

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>sports facility itself.</p> <p>The procurement of the key design team framework consultants via mini competition was concluded on 27 July 2016. Holmes Miller were successful in the appointment for the Lead Architect commission and appointed on 14 July 2016. RSP (Mechanical & Electrical) and AECOM (Civil and Structural) were successful in their own respective disciplines and were both appointed on 27 July 2016. Project Manager, Cost Consultant, Planning Supervisor and BREEAM advisor appointments have already been made. The appointments have been made from the Construction Professional Services Framework however through a combination of either direct negotiation or mini competition total savings of an estimated £246,000 have been achieved compared with the tendered framework rates for the various consultants.</p>			<p>to reappraise the project and secure the agreement of a revised Masterplan approach for the site and the delivery of a new Sports Facility fit for the 21st century.</p> <p>Design is not currently formally in alignment with BREEAM procedures and processes. Design requires to be reviewed and BREEAM process implemented along with revisit of Stage 2 and value engineering.</p>		

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

Managing Workforce Change – Workforce Dashboard

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

The attached Workforce Dashboard provides monitoring information on:

- the number of employees exiting the organisation through voluntary severance arrangements;
- the associated annualised cost savings;
- the number of staff accessing support / Career Transition Service;
- the number of surplus staff and associated costs; and
- a summary of the latest available information on Council wide staffing numbers, sickness absence, agency expenditure and vacancies.

Links

Coalition pledges	P25 , P26 , P27 , P29 & P30
Council outcomes	CO24 , CO25 , CO26 & CO27
Single Outcome Agreement	

Managing Workforce Change – Workforce Dashboard

Recommendations

- 1.1 To note progress made to date.

Background

- 2.1 The Council faces unprecedented financial challenges over the next twelve months. The total savings target from organisational reviews is £64m, to be achieved by March 2017.
- 2.2 In order to achieve this target the following reduction in staffing levels is proposed:
- management posts 27%;
 - business support posts 26%; and
 - front line posts 15%
- 2.3 At its meeting on 29 October 2015, the Finance and Resources Committee acknowledged the need to reduce the number of staff by encouraging employees to apply for voluntary severance and agreed revised terms for Voluntary Early Release Arrangements (VERA) and Voluntary Redundancy (VR).

Main report

- 3.1 The attached dashboard (Appendix 1) provides indicators to monitor change through the Council Transformation programme. As at 16 September 2016 four organisational reviews were currently underway across the Council involving 661 staff. Since then, the Health and Social Care Phase 2 review has commenced taking this figure to 2964 Council staff. An extract from the Transformation Programme Tracker summarising reviews and their status is attached as Appendix 2.
- 3.2 In summary the findings detail:
- People totalling 696.8fte have exited/are confirmed to exit the organisation through voluntary severance arrangements, equating to £26m annualised cost savings.

- 105 people were recorded as being surplus at 16 September 2016 representing an annual salary cost of £4.25m. However, 23 of these people have been redeployed into temporary posts, 31 have a future VR leaving date leaving 51 who are currently not redeployed into a funded post.
- Of the 23 in temporary posts, nine are being re-trained as social workers, five are in externally funded posts as Active Schools Co-ordinators until 2019 and nine have posts with the Council.
- The Career Transition Service has supported a total of 987 staff. This includes 481 one to one meetings with individuals to discuss their needs, 612 who have undertaken interview skills training and 595 people who have taken advantage of the services provided by our out placement provider.

3.3 The latest available information on Council wide staffing numbers, sickness absence, agency expenditure and vacancies is as reported at July 2016.

Measures of success

4.1 That where possible the Council achieves the necessary staff reductions by voluntary means.

Financial impact

5.1 The confirmed reductions from voluntary severance arrangements will achieve recurring annualised cost savings (including national insurance and pensions) of £26m.

Risk, policy, compliance and governance impact

6.1 The voluntary severance releases are essential to ensure that the Council is able to manage and plan the people impact of achieving the planned business change and associated savings.

Equalities impact

7.1 There are no significant equalities impacts arising directly from this report.

Sustainability impact

8.1 There is no sustainability impact of this report.

Consultation and engagement

9.1 Consultation and engagement with key stakeholders, including senior management teams, Trade Unions and elected members is ongoing.

Background reading/external references

[Managing workforce change – workforce dashboard – Report to Finance and Resources, 30 June 2016](#)

[Managing workforce change – workforce dashboard – Report to Finance and Resources, 12 May 2016](#)

Hugh Dunn

Acting Executive Director of Resources

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Links

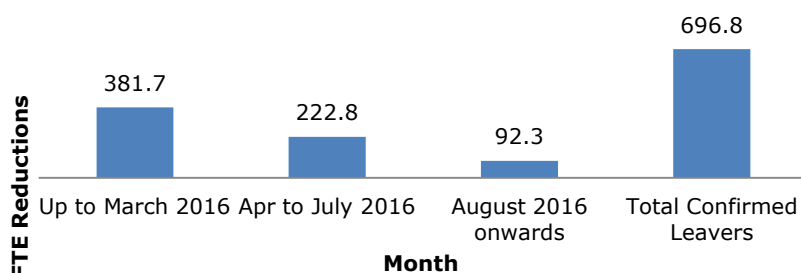
Coalition pledges	<p>P25 - Introduce a “living wage” (currently set at £7.20) for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development</p> <p>P26 - Establish a policy of no compulsory redundancies,</p> <p>P27 - Seek to work in full partnership with Council staff and their representatives</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>
Council outcomes	<p>CO24 - The Council communicates effectively internally and externally and has an excellent reputation for customer care</p> <p>CO25 – The Council has efficient and effective services that deliver on objectives</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	
Appendices	Appendix 1 – Workforce Dashboard - Transformation Programme Summary

Appendix 2 – Extract from Transformation Programme
Organisational Reviews Tracker

Organisational review summary

661 people are currently involved in ongoing organisational reviews and further voluntary redundancy cases are expected in future. Together with other management actions taken (e.g. non backfill of vacancies) we are on-track to deliver the savings projected at this time (£28.4m)

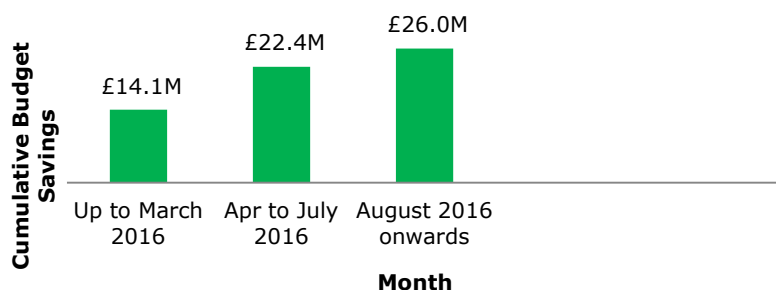
VERA/VR leaver reductions (FTE)



People accounting for a total of 696.8 FTE are confirmed as leaving the Council under VERA and VR arrangements.

There are no changes since the previous dashboard.

Current and projected cumulative budget savings



The overall organisational review savings target is £64m. The confirmed 696.8 FTE reductions from VERA and VR will achieve recurring savings of £26M.

There are no changes since the previous dashboard.

The one off VR/VERA and pension strain cost for those cases is £30.2m and the overall payback period is 14 months, which is in line with planning assumptions.

Employee support / Career Transition Service

	Apr 2016	May 2016	June 2016	July 2016	August 2016	Sept 2016
Number of people in review	4406	4641	3681	3661	3661	541

There continues to be uptake of support through the Career Transition Service as organisational reviews progress.

We continue to encourage all staff on redeployment to engage with CTS for support.

Support	No to date
No of staff accessed CTS	987
1:1's	481
Attended interview skills training	612
Requested access to online registration for Right Everywhere access	595

Redeployment – number of people and cost

	Apr 2016	May 2016	June 2016	July 2016	August 2016	September 2016
Number of people on register	48	71	63	89	100	105
Annual salary cost	£2.1M	£3.1M	£2.9M	£3.8M	£3.97m	£4.25m
Monthly Salary Cost						£354,255
Monthly Salary Cost (excluding those in funded posts)						£317,285
Monthly Salary Cost for those on register for over 3 months						£85,115
Surplus – not currently redeployed	11	33	28	55	55	51
Temporarily redeployed into a funded post	37	38	35	23	22	23
Accepted VR with future leaving date				11	23	31

105 staff are now recorded as being surplus, representing an annual salary cost of £4.25m

Those not currently redeployed into a position (51) represent annual salary costs of £2.1m. This represents an increase of £0.4m since the last dashboard.

Out of the 23 in funded posts, 9 people are Social Work Trainees and 5 are in externally funded posts until 2019.

See Appendix One for further analysis.

Workforce Dashboard Summary

The information presented within this paper reflects the latest available information from the monthly Workforce dashboard.

Staff Numbers

	FTE	Headcount
May 15	15,537	19,190
June 15	15,330	19,249
April 16	14,883	18,648
May 16	14,765	18,577
June 16	14,582	18,454
July 16	14,334	18,152

As at end July 2016, a total of 14,334 full time equivalent staff were employed by the Council. This figure includes 13,555 permanent fte.

This represents a drop in FTE of 1203 in the period from May 2015 to July 2016.

Sickness absence

	12 month rolling average
May 15	5.01%
June 15	5.07%
March 16	4.88%
April 16	4.93%
May 16	4.98%
June 16	5.08%
July 16	5.12%

A total of 5.12% of working days in the 12 months to July 2016 were lost to sickness absence.

This figure continues to rise against the backdrop of transformational change.

A briefing paper has been prepared and will be circulated week commencing 19th September.

Agency expenditure

	Adecco Agency Expenditure
May 15	£1.13M
June 15	£900.5K
Jan 16	£928.4K
Feb 16	£997.2K
March 16	£988.1K
April 16	£816.9K
May 16	£1.04M
June 16	£1.06M
July 2016	£877.2K

Agency expenditure covers the period May 2015 to July 2016.

Data recorded here refer to agency expenditure recruited through Adecco, the Council's contracted provider of temporary agency workers.

A total of £877.2k of agency staff expenditure was recorded in July 2016, a significant decrease from May and June 2016 figures.

The majority of spend is with Customer and Place and we expect these numbers to reduce as and when the reviews are complete.

Vacancies

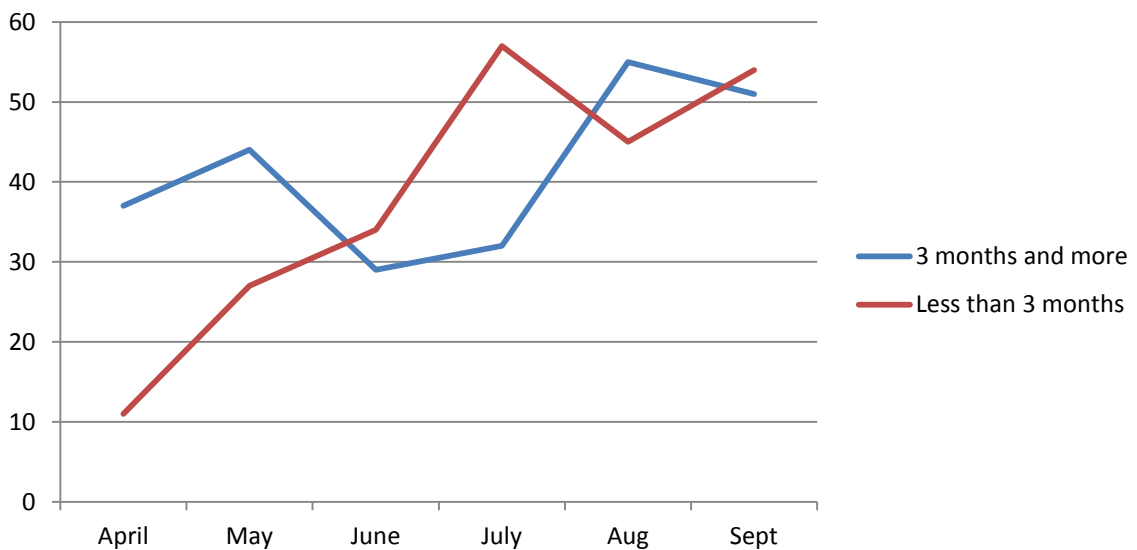
Number of roles	Contract Type
40	Fixed term
68	Permanent

As at 16 September 2016 we have 108 live vacancies.

Appendix One - Workforce Dashboard – Summary – 16 September 2016

The graph below provides details of staff on redeployment for less than, or more than, three months.

	April	May	June	July	Aug	Sept
3 months and more	37 (77.3%)	44 (61.4%)	29 (46.8%)	32 (35.4%)	55 (55.2%)	51 (48.6%)
Less than 3 months	11 (22.7%)	27 (38.6%)	34 (53.2%)	57 (64.6%)	45 (44.8%)	54 (51.4%)
Total Cases	48	71	63	89	100	105



Extract from Transformation Programme Organisational Reviews Tracker

September 2016

Reviews implemented

Organisational Review	Implementation Date	Numbers of staff in scope		Organisational Review	Implementation Date	Numbers of staff in scope
Tier 3 - Safer & Stronger Communities added 25/11 (excluding Property, H&SC)	01/02/16	62		Environment	30/09/16	1149
Communications	18/02/16	32		Housing and Regulatory Services	30/08/16	662
ICT	01/02/16	89		Safer & Stronger Communities: Criminal Justice (renamed from Community Safety)	30/05/16	26
Human Resources	18/02/16	72		Safer & Stronger Communities: Family Household Support	18/07/16	114
Business Support: Executive Support	02/05/16	60		Safer & Stronger Communities: Homelessness & Housing Support	18/07/16	132
City Strategy & Economy (with Culture)	02/05/16	143		Corporate Property (AMS) - Phase 1 - Tiers 3 and 4	30/06/16	17
Strategy & Insight	09/05/16	55		Customer Contact - Phase 1	30/05/16	178
Transformation and Business Change	09/05/16	25		Legal Services	04/07/16	30
Transport & Planning	01/08/16	625		Commercial and Procurement	11/07/16	61
Communities and Families Operations	01/06/16	24		Risk, Audit & Resilience (Health & Safety)	04/07/16	14
Schools & Lifelong Learning*- Early Years and Management	04/07/16	18		Children's Services* - Management	16/05/16	160

Appendix 2

Organisational Review	Implementation Date	Numbers of staff in scope		Organisational Review	Implementation Date	Numbers of staff in scope
Transactions - Phase 1	29/09/16	375		Finance	22/08/16	93
Business Support (Schools) 2016/17	Finance confirmed that the reduction was applied to the business support allocations and each school has received a budget statement to this effect.					

Reviews in progress

Organisational Review	Implementation Date	Numbers of staff in scope		Organisational Review	Implementation Date	Numbers of staff in scope
Business Support Shared & Locality Services	Implementation on 3 October 2016.	521		Schools & Lifelong Learning*- Outdoor Education Centres	In progress with targeted implementation date of 3 October 2016.	20
Democratic Services (incl Governance and Members Services, excl Lord Provost Office)	In progress with targeted implementation date of 28 /11/16.	55		Corporate Property (AMS) - Tier 5 and below	In progress – targeted implementation date of 24 October 2016.	65

Appendix 2

Health and Social Care (Phases 1 & 2)	In consultation period – 45 days	Phase 1 – 27 12 NHS 15 CEC Phase 2 – 2871 583 NHS 2288 CEC				
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Reviews yet to commence

Organisational Review	Status	Numbers of staff in scope		Organisational Review	Status	Numbers of staff in scope
Corporate Property - FM Staff	Yet to commence – targeted start date of November 2016 for beginning of formal consultation.	1700 (tbc)		Children’s Services - Support to Special Schools	Proposed method of achieving savings being considered	TBC
Environment: Customer Operations (Customer Contact: Passenger Operations)	To be reviewed as part of business as usual.			Safer and Stronger Communities - Advice Services/Family Solutions	Consultation starts in October 2016	TBC
Schools & Lifelong Learning Organisational Review (Redesign of Library Service) (Library Services separate line on Finance tracker)	In design phase – structure and job descriptions.	367		Safer & Stronger Communities - CCTV	Separate proposal to achieve savings being considered	

Appendix 2

Organisational Review	Status	Numbers of staff in scope		Organisational Review	Status	Numbers of staff in scope
Instrumental Music Service (Redesign of Music Instructor Service)	No longer being progressed	N/A		Customer Contact - Phase 2 (Overarching)	Business Case approved – 22 initiatives	
Edinburgh Leisure and Sports Services	Alternative savings identified	N/A		Transactions - Phase 2 (Overarching)	Business Case approved – 22 initiatives	
Customer Contact - Ph2 - CC1 High St, Locality Offices Review including revamped kiosks	Business Case approved – 22 initiatives			Transactions Ph 2 - T1 Automation of the bulk lists (Council Housing, housing associations, private landlords)	Business Case approved – 22 initiatives	
Customer Contact - Ph 2 - CC2 Strategy & Improvements	Business Case approved – 22 initiatives			Transactions Ph2 - T2 Paperless notification for benefit/council tax/NDR	Business Case approved – 22 initiatives	
Customer Contact - PH2 -CC3 Review of Interpretation and Translation Services	Business Case approved – 22 initiatives			Transactions Ph2 - T3 Combined benefits assessment	Business Case approved – 22 initiatives	
Customer Contact - PH2 -CC4 HR & Payroll Service Centre (Full Review)	Business Case approved – 22 initiatives			Transactions Ph2 - T4 More efficiency of doc.capture and validation	Business Case approved – 22 initiatives	
Business Support Shared & Locality Services - Ph2 (Overarching)	Business Case approved – 22 initiatives			Transactions Ph2 - T5 Automate all word document/pdf forms into online forms	Business Case approved – 22 initiatives	

Appendix 2

Organisational Review	Status	Numbers of staff in scope		Organisational Review	Status	Numbers of staff in scope
Business Support Shared & Locality Services - Ph2 BS1 Refining Business Operating Model	Business Case approved – 22 initiatives			Transactions Ph2 - T6 Council tax discount rolling review	Business Case approved – 22 initiatives	
Business Support Shared & Locality Services - Ph2 - BS2 Flexi System and Time Reporting	Business Case approved – 22 initiatives			Transactions Ph2 - T7 Single view of customer debt	Business Case approved – 22 initiatives	
Business Support Shared & Locality Services - Ph2 - BS3 Voice Recognition	Business Case approved – 22 initiatives			Transactions Ph2 - T8 Civica system review and optimisation	Business Case approved – 22 initiatives	
Business Support Shared & Locality Services - Ph2 - BS4 Equipment ordering for foster carers and joint stores	Business Case approved – 22 initiatives			Transactions Ph2 - T9 Parking revenue generation	Business Case approved – 22 initiatives	
Business Support Shared & Locality Services - Ph2 - BS5 Print Service Review	Business Case approved – 22 initiatives			Business Support (Schools) 2017/18	Decision to be taken re 2017/18 savings and how they will be achieved	
Business Support Shared & Locality Services - Ph2 - BS 6 Review complaints/VIP mail process	Business Case approved – 22 initiatives			ICT - Phase 2	Consultation start date in October 2016	
Business Support Shared & Locality Services - Ph2 - BS7 Automated Travel Booking System	Business Case approved – 22 initiatives			Business Support Shared & Locality Services - Ph2 - BS8 Electronic Document Storage (SharePoint)	Business Case approved – 22 initiatives	

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

City of Edinburgh Council – Report to Those Charged with Governance on the 2015/16 Audit – referral from the Governance, Risk and Best Value Committee

Item number	7.5
Report number	
Wards	All

Executive summary

The Governance, Risk and Best Value Committee on 26 September 2016 considered a report detailing the principal findings of the external auditor's statutory review of the Council's Annual Accounts.

The report has been referred to the Finance and Resources Committee for approval and thereon to Council for noting and revision of the level of in-year underspend transferred to the Council Priorities Fund.

Links

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

Terms of Referral

City of Edinburgh Council – Report to Those Charged with Governance on the 2015/16 Audit

Terms of referral

- 1.1 On 26 September 2016, the Governance, Risk and Best Value Committee considered the principal findings of the external auditor's statutory review of the Council's Annual Accounts.
- 1.2 The report by the Acting Executive Director of Resources provided an unqualified auditors opinion on the statements as well as a note of the failure of one of the Council's Significant Trading Operations to meet the statutory requirement to break even over a three year rolling period.
- 1.3 The Governance, Risk and Best Value Committee agreed:
 - 1.3.1 To note that, following the audit process, an unqualified audit opinion had been issued on the Council's Annual Accounts for 2015/16.
 - 1.3.2 To refer the audited Annual Accounts for 2015/16 to the Finance and Resources Committee for approval and thereon to Council for noting and to revise by £0.076m the level of in-year underspend transferred to the Council Priorities Fund.
 - 1.3.3 To note that, following approval by the Finance and Resources Committee, the audited Annual Accounts would be signed and submitted to the external auditor.
 - 1.3.4 To note the intention to consider the external auditor's more detailed Annual Audit Report at the meeting of the Governance, Risk and Best Value Committee on 17 November 2016.
 - 1.3.5 To request that information on the Common Good Fund and the General Fund be included in the full audit report scheduled to be submitted to the Governance, Risk and Best Value Committee on 17 November 2016.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked:
- 2.1.1 to approve the audited Annual Accounts for 2015/16.
 - 2.1.2 to refer the report by the Acting Executive Director of Resources to the Council for noting and to revise by £0.076m the level of in-year underspend transferred to the Council Priorities Fund.

Background reading / external references

Minute of Governance, Risk and Best Value Committee – 26 September 2016

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Laura Millar, Assistant Committee Clerk

Email: laura.millar2@edinburgh.gov.uk | Tel: 0131 529 4319

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

2pm, Monday, 26 September 2016

City of Edinburgh Council – report to those charged with governance on the 2015/16 audit

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

The report advises members of the principal findings of the external auditor's statutory review of the Council's annual accounts, undertaken in compliance with the International Standard on Auditing (ISA260). An unqualified audit opinion has been issued on the statements but the auditor's report notes the failure of one of the Council's remaining Significant Trading Operations (STOs) to meet the statutory requirement to break even over a rolling three-year period.

The content of the Annual Audit Report (AAR), incorporating more detailed commentary on the financial statements and the Council's wider financial position, governance structures, use of resources and arrangements for securing best value is currently being finalised. It is therefore anticipated that the report will be considered by this Committee at its next meeting on 17 November.

City of Edinburgh Council – report to those charged with governance on the 2015/16 audit

Recommendations

- 1.1 Members 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 2015/16;
 - 1.1.2 refer the audited Annual Accounts for 2015/16 to the Finance and Resources Committee for approval and thereon to Council for noting and to revise by £0.076m the level of in-year underspend transferred to the Council Priorities Fund;
 - 1.1.3 note that, following approval by the Finance and Resources Committee, the audited Annual Accounts will be signed and submitted to the external auditor; and
 - 1.1.4 note the intention to consider the external auditor's more detailed Annual Audit Report at this Committee's meeting on 17 November.

Background

- 2.1 The Council submitted its unaudited Annual Accounts to the external auditor by the required date of 30 June.
- 2.2 The review of all matters relating to external audit forms part of the remit of the Governance, Risk and Best Value Committee and is an important aspect of the overall governance arrangements of the Council. The external auditor will attend the Governance, Risk and Best Value Committee meeting to provide an overview of the accompanying report and respond to specific queries members may have on its content. Given the Committee's scrutiny function, however, approval of the annual accounts will be secured by onward referral to the Finance and Resources Committee meeting taking place on 29 September. The external auditor will also attend the Finance and Resources Committee meeting.
- 2.3 The external auditor is required to comply with ISA260. As part of the standard, the auditor is required to highlight:
 - Relationships that may bear on the independence, integrity and objectivity of the appointed auditor and audit staff;
 - The overall scope and approach to the audit, including any expected limitations, or additional requirements;
 - Expected modifications to the audit report;

- Management representations requested by him/her;
- Unadjusted misstatements other than those that are clearly trivial;
- Material weaknesses in internal control identified during the audit;
- Qualitative aspects of accounting practice and financial reporting, including accounting policies; and
- Matters specifically required by auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.

Main report

- 3.1 There are no qualifications to the proposed audit certificate which is shown at Appendix A of the ISA260 in Appendix 1. Members are asked to note, however, that as of the time of writing, a small number of minor issues require to be resolved before the certificate's content can be finalised.
- 3.2 As in previous years, the certificate includes an explanatory paragraph in respect of significant trading organisations (STOs). The Edinburgh Catering Services – Other Catering STO failed, over the three-year rolling period to 2015/16, to meet the statutory requirement to break even. Changes being taken forward as part of the Council's wider Asset Management Strategy, including reducing the level of (loss-making) vending equipment, are planned to ensure cost reduction going forward, along with a new pricing policy aimed at increasing income from staff facilities and internal hospitality.
- 3.3 The ISA260 also makes a number of observations in respect of three other main areas that, in the auditor's view, require to be communicated to members of the Committee. These issues are as follows:
- (i) appropriate valuation of PPP1 assets as of the balance sheet date in light of subsequent defects affecting some of the Council's schools estate;
 - (ii) the accounting treatment of assets where disposal is effected by means of phased payments from purchasers;
 - (iii) presentation of the embedded derivative element of inverse LOBOs (Lender's Option, Borrower's Option).
- 3.4 In each case, the external auditor has concurred with the Council's proposed presentation of these matters in the Audited Accounts.
- 3.5 Members are advised that there were a small number of changes to the financial statements arising from the audit. These mainly related to a slight over-accrual of income due and changes to the assumed timing of asset disposals and the receipt of associated income.
- 3.6 The net effect of these changes was to decrease the reported surplus for the year from £0.861m to £0.785m. Details are shown in Appendix 3.

Measures of success

- 4.1 The Council receives an unqualified audit certificate from the external auditor by 30 September 2016.
- 4.2 Agreed measures are implemented to address any actions identified within the Annual Audit Report 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 has been noted in recent external reports.
- 5.2 As a result of the audit process, the Council's reported surplus for the year decreased by £0.076m. On this basis, Council approval will be sought to revise the sum set aside within the Council Priorities Fund, which forms part of the overall General Fund, by this amount. Members are reminded that Council has, subject to confirmation of the outturn, previously agreed to allocate £0.5m from the in-year underspend to take forward precautionary property surveys of buildings of similar construction to those delivered through the PPP1 schools programme.
- 5.3 The General Fund balance stood at £128.396m at 31 March 2016, comprising £115.371m earmarked for specific purposes and £13.025m 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 There is no direct relevance of equalities and rights issues to the report's contents.

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 one request for further information under these Regulations during this period. Additionally, an individual lodged comments with Audit Scotland. These were, however, received outside the statutory timescales.

Background reading/external references

[Unaudited Annual Accounts 2015/16](#), City of Edinburgh Council, 30 June 2016

Hugh Dunn

Acting Executive Director of Resources

Contact: Catrina Montgomery, Senior Accountant

E-mail: catrina.montgomery@edinburgh.gov.uk | Tel: 0131 469 3497

Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on agreed objectives
Single Outcome Agreement	SO1 –Edinburgh’s economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	Appendix 1 - ISA260 letter on 2015/16 Financial Statements Appendix 2 - Audited 2015/16 Financial Statements Appendix 3 - Reconciliation of movement in outturn position

Governance, Risk and Best Value Committee
City of Edinburgh Council

26 September 2016

City of Edinburgh Council 2015/16 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. This report sets out for the Governance, Risk and Best Value Committee's consideration the matters arising from the audit of the financial statements for 2015/16 that require to be reported under ISA260. We are drawing to your attention matters for your consideration before the financial statements are approved and certified.
2. 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 and no responsibility to any third party is accepted.

Status of the audit

3. Our work on the financial statements is now substantially complete. The issues arising from the audit were included in matters arising schedules issued to the Principal Accountant during the audit. The more significant issues arising were discussed with the Corporate Finance Manager at a meeting on 13 September.
4. We received the unaudited financial statements on 30 June 2016, in line with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team as we completed our on-site fieldwork.

Matters to be reported to those charged with governance

Conduct and scope of the audit

5. 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 presented to the Governance, Risk and Best Value Committee on 21 April 2016 and follows the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.

6. 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 2015/16 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

7. 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 Governance, Risk and Best Value Committee we seek confirmation from those charged with governance of any actual, suspected or alleged fraud 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

8. Subject to our ongoing peer review process, 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 by 30 September 2016. I draw attention, however, to a failure to achieve a prescribed financial objective. One significant trading operation, Edinburgh Catering Services - Other Catering, failed to achieve the statutory requirement of a cumulative break-even position over the three year period to 31 March 2016. Whilst this does not result in a qualified audit opinion I am required to report this matter by exception. The proposed independent auditor's report is attached at [Appendix A](#).
9. 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. We have no unadjusted misstatements to bring to your attention.
10. As part of the completion of our audit we seek written assurances from the Section 95 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.
11. In presenting this report to the Governance, Risk and Best Value Committee we also seek confirmation from those charged with governance of 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.

Accounting and internal control systems

12. 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. We did however amend our planned financial statements procedures to take account of some system weaknesses identified during our controls review, including access controls within payroll and online banking systems, and documentation and processing issues around element of the council tax system.

Significant findings from the audit

13. 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.
14. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

PPP Schools - impairment of assets

15. Following the collapse of a wall at Oxgangs Primary in January 2016, property surveys were undertaken at other schools built as part of the same schools PPP1 contract. In April 2016, 17 schools were closed temporarily as a consequence of the survey findings, and alternative accommodation arrangements put in place for school pupils. The unaudited financial statements include a net book value of £176 million at 31 March 2016 in relation to the affected buildings.
16. A range of remedial work was undertaken by the PPP operator, Edinburgh Schools Partnership (ESP), with a phased return of schools to the council in operable condition between May and August 2016, prior to commencement of the new school term.
17. The condition surveys highlighting structural issues were not undertaken until after the end of the 2015/16 financial year end. However these surveys provided information relating to the condition of the assets at 31 March 2016, and in these circumstances it is appropriate to undertake an impairment review, to ascertain whether these conditions give rise to a reduction in carrying value of the asset at 31 March 2016.
18. An impairment review would usually be informed by an assessment of the cost of remediation. While the council has information around the condition of the assets from the property surveys, the information which would allow the council to determine the likely value of any impairment is held by the operator ESP, and not by the council.
19. In the absence of detailed cost information, it is difficult to ascertain what impairment of asset value at 31 March 2016 would be appropriate. Estimates available to the council do indicate the value is likely to be within our materiality limits. Furthermore, as the assets have now been restored to operable condition prior to certification of the annual accounts, any impairment to asset values as at 31 March 2016 would be temporary and would be reversed in the 2016/17 financial statements.
20. **Resolution:** Officers do not propose to adjust the carrying value of the affected assets in the annual accounts. However they intend to increase narrative disclosure within the financial statements to provide more information on this post balance sheet event. Following discussions with officers and ESP, and in view of the considerations noted at paragraph 19 above, we concur with this approach.

Disposal of assets

21. Our audit review highlighted a number of assets included in the balance sheet of the 2015/16 unaudited accounts where the asset had been sold in a previous financial year. The sale of an asset should be recognised when the significant risks and rewards of ownership have transferred to the purchaser. Normally, this transfer coincides with the transfer of legal title.
22. Although title to these assets was transferred at the point of sale, staged payments were agreed with the purchasers and standard securities written into the sale contracts, to provide the council with protection over the future monies due. The council has retained assets on the balance sheet until the discharge of the standard securities.
23. We have reviewed the council's approach to this matter and concluded that whilst the council retains some interest over the assets until the discharge of the standard securities, this is primarily to ensure flow of future monies, and does not reflect the significant risks and rewards of ownership. The council cannot, for example, sell the land covered by standard securities to another developer. The disposal of these assets should therefore be reflected in the financial statements at the point of title deed transfer.
24. Of the five identified disposals with staged payments, final payment was received in 2015/16 for three assets. The final disposal of these assets has therefore already been regularised through the balance sheet of the 2015/16 unaudited accounts. One of the remaining assets with a carrying value of £0.026 million was sold in 2015/16. The final asset identified in the review, with a carrying value at 31 March 2016 of £5.01 million, was sold in 2014/15. Final payments on both assets are scheduled for receipt in 2016/17.
25. **Resolution:** Officers propose to adjust the annual accounts to recognise the full disposal of these remaining two assets as at 31 March 2016. Debtor balances will be established at 31 March 2016 to reflect the remaining value of future payments from purchasers. Adjustments in relation to the other assets sold in 2014/15 have already been reflected in the 2015/16 closing balance sheet. We concur with the proposed approach.

Lender Option Borrower Option Loans - Embedded derivatives

26. Included within the council's £1.4 billion of borrowing are £280 million of Lender Option Borrower Option loans (LOBOs). These instruments differ from more traditional forms of loans as they have call points through the period of the loan where the lender can seek to vary the interest rate through to the next call period, ranging from 6 months to 5 years.
27. The lender option gives rise to an embedded derivative within the contract i.e. a provision that modifies the cashflow associated with the host contract. Normally, a council would not be required to separately account for the embedded derivative in a LOBO. However, within its LOBO portfolio, the council has £40 million of inverse LOBOs, where in addition to the lender call option, the rate payable also changes in relation to a specified market rate.
28. As the nature of inverse LOBOs is considerably different from standard LOBOs, we reviewed these to resolve whether separate disclosure of the embedded derivatives was necessary, which would also require the recognition of gains and losses in the income and expenditure statement each year.

29. **Resolution:** Our review concluded that the existing accounting treatment of inverse LOBOs within the council's financial statements is appropriate, and no modifications to the unaudited financial statements are required in respect of this matter.

Significant trading operations (STOs)

30. The council's trading activity (Edinburgh Catering Services – Other Catering) failed to achieve the statutory requirement to break even over a three year period. The deficit for 2015/16 was £232,000, with a cumulative three year deficit of £343,000.
31. **Resolution:** The failure to achieve a statutory requirement has resulted in a modification to the Independent Auditor's Opinion. The council has put in place a number of measures addressing the profitability of the service going forward, including a new pricing policy and reductions in vending equipment. The catering service is also included within the scope of the Property and Asset Management strategy which is currently being considered by the council.

Outstanding Information

32. **ISA 580 - Letter of representation:** The signed letter of representation is required prior to the auditor's certification of the financial statements.
33. **Audit evidence:** A small number of requested documents and explanations were outstanding or recently received at the time of writing this report. A verbal update on any issues arising from review of these will be provided at committee.

Acknowledgements

34. We would like to express our thanks to the staff of City of Edinburgh Council for their help and assistance during the audit of this year's financial statements 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 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 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Movement in Reserves Statement, the group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Council Tax Income Account, and the Non-domestic Rates Income Account, The Common Good Fund Movement in Reserves Statement, the Common Good Fund Comprehensive Income and Expenditure Statement, the Common Good Fund Balance Sheet and 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 2015/16 (the 2015/16 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 Acting Executive Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Acting Executive Director of Resources 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 council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Executive Director of Resources; 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 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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 am 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.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The council failed to comply with this statutory requirement for the three year period ending 31 March 2016 in respect of their significant trading operation, Edinburgh Catering Services - Other Catering.

I have nothing to report in respect of the other matters.

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

XX September 2016

APPENDIX B: Letter of Representation (ISA 580)

David McConnell, Assistant Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear David

City of Edinburgh Council Annual Accounts 2015/16

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 2016 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 2016 and its comprehensive net 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 team, the following representations given to you in connection with your audit of City of Edinburgh Council for the year ended 31 March 2016.

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. Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 2016.

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 2015/16.
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 has 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 2015/16.

Events Subsequent to the Balance Sheet Date

12. In April 2016, 17 schools built under the PPP contract were closed for remediation work following identification of issues with their construction. The building element of these assets has a net book value of £176 million. Work was undertaken by Edinburgh Schools Partnership (ESP), the PPP provider, with a phased return of all buildings by August 2016, prior to the commencement of the new school term.
13. Information on the costs of remediation lies with the provider, ESP, who consider this to be commercially sensitive information. The council is therefore unable to estimate with sufficient certainty what level of impairment to asset values as at 31 March 2016 had taken place. As the schools were returned to previous condition by August 2016, any impairment would be temporary, and reversed out in 2016/17. However, on the basis of indications from ESP of overall costs, including investigative work, any potential impairment is not considered to be material to the overall asset values within the council's balance sheet.
14. With the exception of the preceding issue, 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.

15. 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

16. 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.
17. 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 2015/16. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2016, which require disclosure.

Fraud

18. 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

19. The assets shown in the Balance Sheet at 31 March 2016 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.
20. 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

21. 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 2016.

Carrying Value of Assets and Liabilities

22. With the exception of any impairment relating to PPP1 school buildings, as set out in paragraphs 12 and 13, the assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. 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

23. 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 2016 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 2016.

Yours sincerely

Hugh Dunn
Acting Executive Director of Resources
Section 95 Officer



2015/2016

AUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2016

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MANAGEMENT COMMENTARY

Basis of Accounts

The Audited Annual Accounts present the financial position and performance of the Council, together with the financial position of the wider Council Group for the year to 31 March 2016.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice.

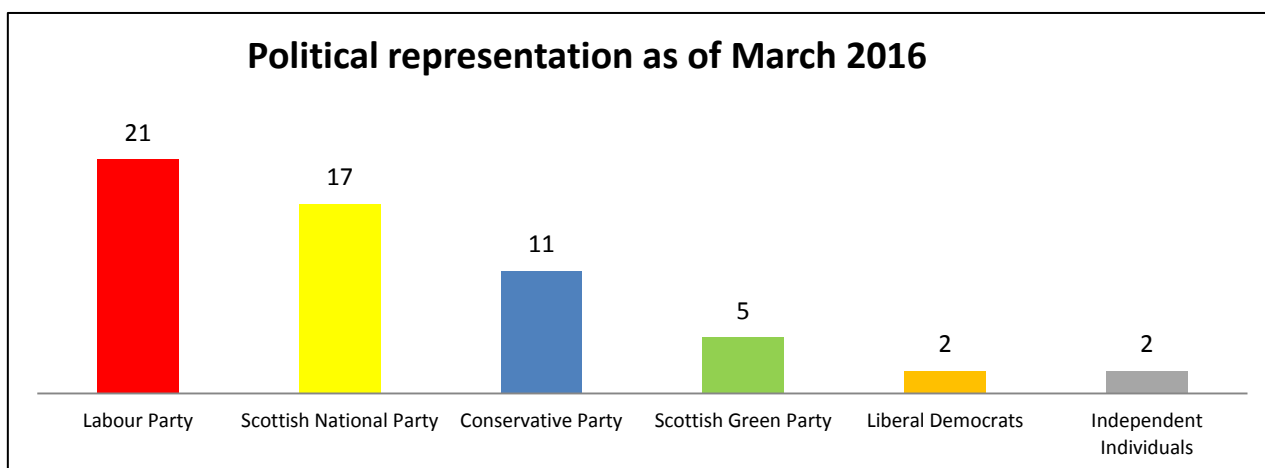
Statutory Background

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

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

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

Political representation as of March 2016 was as follows:



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

The Capital Coalition leads the Council and fills the roles of Lord Provost, Leader of the Council and most committee 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 142 of these financial statements.

MANAGEMENT COMMENTARY

Corporate Strategy

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

A new Council strategic planning and performance framework was agreed in June 2015. This framework was developed to provide both a simple and clear articulation of the Council's vision and purposes and a concise set of shared strategic themes and principles around which all Council services can be built. Following these principles, the framework adopted a single vision for the city, shared with all Council partners, to ensure that Edinburgh is a thriving, sustainable capital city in which all forms of deprivation and inequality are reduced.

The **Council Business Plan for 2016/20** builds on the new strategic direction for the Council, providing a clear vision for the city and the type of organisation the Council needs to be in order to help deliver that vision. The plan sets out overlapping strategic themes common to the work of all service areas. These themes set out a commitment for the Council to:

- Improve quality of life for all our citizens
- Ensure economic vitality for Edinburgh, powering sustainable growth and jobs for a wide city region and
- Build excellent places, maintaining Edinburgh as an attractive place to live, work, visit and invest.

Across all of these themes, the plan sets out a further common commitment to provide best value and to deliver lean and agile Council services. In doing so, the plan incorporates budget savings plans and actions agreed as part of the budget setting process and the Council's 2016-20 Revenue and Capital Budget Framework, as well as activity undertaken and agreed as part of the Council Transformation Programme.

The business plan describes six future Council service principles to guide the development of all Council services over the next four years.

Focused on Customers
We are a Council in which services are designed around the needs of our customers, protecting the needs of our city's most vulnerable citizens

An Integrated Council
We are a Council of joined up services working together effectively with our partners

Empowered Communities
We are a Council which engages with our communities and enables community-led service design and delivery

A Sustainable Capital City
We are a low carbon, resource efficient Council, supporting resilient and sustainable communities in the rich natural setting of our city

Value for Money
We are a Council which makes best use of its resources, assets and facilities

High Performing Workforce
We are a Council where services are delivered by an engaged and empowered, high performing workforce

Within these themes, the plan also provides an overview of key priority outcomes for the Council, linked to priorities set out in existing service plans and strategies and to key priorities emerging from customer consultation and engagement work. The plan also incorporates all actions to re-shape services within the reduced financial resources we have available.

MANAGEMENT COMMENTARY

Risks and Uncertainty

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

The Corporate Leadership Team's (CLT) **prioritised risks** as at January 2016 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them;

Risk	Risk Description	Key Mitigating Controls
1. Maintenance of Capital Assets	Risk that the Council does not have sufficient resources to structure and maintain a capital portfolio that is fit for purpose and safe.	<ul style="list-style-type: none"> • Property Management report to CLT • Condition surveys performed routinely • Property Rationalisation work-stream
2. Cyber Security and Data Privacy	Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.	<ul style="list-style-type: none"> • Laptop and media encryption • Data awareness campaign • Service automation controls in place • Leavers process includes removal of access to IT applications • Implemented recommendations from Internal Audit Leavers Report
3. Integrated Care Programme	Risk over the affordability and delivery of the Adult Social Care, particularly due to demographic changes, impacting the outcomes and care for the people of Edinburgh.	<ul style="list-style-type: none"> • Integration Scheme • Strategic Commissioning Plan • Establishment of Shadow Board • Establishment of Leadership Group
4. ICT Infrastructure	Risk that the ICT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council through the transition phase to the new ICT provider.	<ul style="list-style-type: none"> • Consultation with staff to design correctly • Output specifications clearly identified • Engagement with staff and service providers • Change controls built into new contract • Single provider has been selected
5. Transformational Change Agenda	Risk that the Council's transformational change agenda is not implemented effectively with support from Elected Members and Trade Unions resulting in the Council failing to meet service delivery outcomes impacting cost reductions and staff morale.	<ul style="list-style-type: none"> • Transformational governance with full-time resource • External assurance and skills utilised • CLT monitoring and reporting on projects • Governance of major projects status reports • Ongoing consultations with Trade Unions • Maintain profile on Service Area risk registers
6. Savings Targets	Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.	<ul style="list-style-type: none"> • Services budgets include a cost pressure contingency • Savings information reported monthly to CLT • External assistance to drive benefits realisation • Monthly budget monitoring and challenge meetings
7. Planning for Increased Demand	Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.	<ul style="list-style-type: none"> • Demographic funding built into long term financial plans • Strategic workforce planning Board reporting to CLT • Continuing agenda item for CLT's consideration • Improved information to deliver stronger business case
8. Public Protection	Risk that the public in general and service users in particular experience harm and/or negative outcomes through either a lack of adequate resource or process failure.	<ul style="list-style-type: none"> • Established multi-agency public protection • Agreed infrastructure of multi-agency governance through protection committees and Edinburgh's Chief Officers' Group - Public Protection • Detailed audit and practice evaluation

MANAGEMENT COMMENTARY

Risks and Uncertainty - continued

A further review of the Council's key risks was undertaken in August 2016, with the results reported to the Governance, Risk and Best Value Committee on 26 September. This update considered, amongst others, potential risks arising from the referendum result on the UK's membership of the European Union and any implications for buildings of similar construction of the remedial works undertaken on PPP1 school buildings.

Performance Overview

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of additional measures, aligned to the Council's priorities, continues to be reported on a monthly basis to the Corporate Leadership Team and half-yearly to the Corporate Policy and Strategy Committee and relevant Executive Committees. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance. Progress is tracked against around forty key indicators covering the full range of Council services, with both absolute levels and trends in performance analysed to identify areas for remedial action and / or dissemination of best practice. Edinburgh-specific performance data for 2015/16 has also been provided through a range of other channels, including the Edinburgh People Survey, audits and inspections. Performance against a range of local-level, "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

The Council's Best Value Audit report was published in May 2013 and recognised a range of improvements since the previous assessment in 2007, including good progress in improving outcomes for people and communities. In concluding that the Council's finances were well managed, the report nonetheless highlighted significant risks and uncertainties and, in light of these, the paramount importance of identifying savings that were both achievable and delivered.

A follow-up audit was undertaken in summer 2014, with the **Controller of Audit's findings** reported to the Council in December.

These findings noted improvements in a number of frontline services that had been highlighted in the May 2013 report, as well as to the Council's wider governance arrangements, risk management and internal audit functions. Despite progress in these areas, the report noted with concern that a means of fully addressing the Council's savings gap remained to be found, as well as the continued lack of a comprehensive workforce strategy and shortcomings in information and communications technology arrangements. A further update was subsequently reported to Council on 10 March 2016. The principal findings of this review were:

- Considerable progress has been made in addressing the Council's increasingly challenging financial position. The Council has a clear strategy for changing the way it delivers services, reducing its workforce and achieving substantial financial savings.
- Elected members and senior managers now have a shared understanding of the challenges facing the Council and the action that needs to be taken.
- The Council's various improvement projects have been consolidated into a single transformation programme. The programme is now being used to redesign services and change the way the Council operates.
- A workforce strategy has been developed, supported by more detailed plans, setting out the size and shape of its future workforce needs.

Under Section (1) (1) (a) of the Local Government Act 1992, the Accounts Commission has a statutory power to define the performance information that councils must publish locally in the following financial year with a view to facilitating comparison over time within, and across, authorities. The approach adopted in recent years has been largely non-prescriptive, with councils encouraged to develop their own comprehensive performance data sets, building on the Scotland-wide **Local Government Benchmarking Framework** to promote performance improvement and the targeting of resources to areas of greatest impact.

MANAGEMENT COMMENTARY

Performance Overview

Due to the time required for calculation, verification and publication of Scotland-wide figures, provisional 2015/16 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2014/15 performance against the sixty efficiency- and outcome-related indicators comprising the framework and other relevant indicators as they related to the Council's then five strategic themes has, however, been produced, as well as more detailed briefings on the framework's seven elements. **These briefings** analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

Comprehensive detail of both **Council-wide and service-specific performance** is also available on the Council's website.

Progress in delivering the **Capital Coalition's Pledges** is furthermore reported to Council on a six-monthly basis.

Financial Ratios

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

Council Tax	2015/16	2014/15	Notes on Ratios
In-year collection rate	96.10%	95.40%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	25.02%	24.78%	This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing - Prudence			Notes on Ratios
Capital Financing Requirement	£1,633.0m	£1,726.0m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 39 to the Financial Statements.
External debt levels	£1,622.9m	£1,677.2m	External debt levels include long-term commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability			Notes on Ratios
Financing costs to net revenue stream - General Fund	11.80%	11.94%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream - HRA	33.23%	34.43%	
Impact of capital investment on Council Tax	-0.61%	0.96%	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	0.45%	-0.10%	

MANAGEMENT COMMENTARY

Financial Performance

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 19. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement (pages 15 to 17).

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below.

	Budget	Actual	(Under)
	2015/16	2015/16	/ Over
	£000	£000	Spend
			£000
General Fund services	846,022	841,671	(4,351)
Centrally funded release costs	11,000	20,942	9,942
Dividend income (net)	(5,000)	(4,925)	75
Loans charges / interest on revenue balances	115,082	113,529	(1,553)
Net contribution (from) / to earmarked balances	(10,174)	(10,174)	0
Total expenditure to be funded	956,930	961,043	4,113
Council Tax	(238,113)	(240,645)	(2,532)
Council Tax Reduction Scheme	26,621	24,255	(2,366)
Total - Council Tax income account	(211,492)	(216,390)	(4,898)
General revenue funding	(354,576)	(354,576)	0
Distribution from non-domestic rate pool	(390,862)	(390,862)	0
Funding	(956,930)	(961,828)	(4,898)
Transfer to Council Priorities Fund	0	(785)	(785)

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

Budget performance - General Fund

While a balanced overall position against the Council's budget was again delivered in 2015/16, significant pressures were nonetheless apparent, particularly in Health and Social Care. These pressures were addressed through identification of corresponding savings across other service and corporate areas. Formal incorporation within the budget framework of additional investment in both Health and Social Care and Corporate Property gives the potential for these to be addressed on a sustainable basis. Crucial to this sustainability, however, is the delivery of an unprecedented level of savings in 2016/17 and these will be subject to on-going monthly monitoring and discussion at Corporate Leadership Team and regular scrutiny by elected members, particularly via the planned series of Budget Challenge meetings.

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

- An underspend within General Fund services of £4.351m, primarily due to the five service areas returning underspends against their revised budgets and favourable movements in non service specific payments and provisions during the year.
- Centrally funded release costs variance of £9.942m, as a result of £20.942m costs incurred as part of the Transformation Programme, see page 10. Funded from underspends elsewhere within the General Fund.
- A reduction of £1.553m on loan charges / interest received, mainly as a result of the Council's planned strategy not to undertake borrowing to finance capital investment during the year.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

- Additional Council Tax receipts, compared to budget, of £2.532m, mainly as a result of additional properties on which tax can be levied, and a reduction in exemptions. A further saving of £2.366m compared to budget was achieved on the Council Tax Reduction Scheme.
- The Council transferred a net sum of £10.174m from earmarked reserves during 2015/16. The Council's reserves are covered on page 9 of the management commentary and in more detail in note 10.1.
- The surplus of £0.785m returned in 2015/16 was transferred to the Council Priorities Fund, which forms part of the earmarked proportion of the General Fund for contingency funding, as detailed in note 10.1.

Principal Sources of Funding - General Fund

The principal sources of funding used by the Council during the year were:

	£000
Council Tax, net of Council Tax Reduction Scheme (CTRS)	216,390
General revenue funding	354,576
Distribution from non-domestic rates pool	<u>390,862</u>
Total	<u><u>961,828</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	421,836	(22,833)	399,003	399,469
Corporate Governance	116,165	(36,355)	79,810	79,950
Economic Development	17,811	(5,949)	11,862	11,877
Health and Social Care	285,016	(77,535)	207,481	210,937
Lothian and Borders Valuation Joint Board	3,744	0	3,744	3,744
Services for Communities	383,430	(249,054)	134,376	134,395
Net cost of housing benefits / CTRS	225,171	(201,072)	24,099	26,559
Other non-departmental specific income	5,725	(174)	5,551	5,712
	<u>1,458,898</u>	<u>(592,972)</u>	<u>865,926</u>	<u>872,643</u>
General Fund services (as shown on page 7)			841,671	846,022
Council Tax Reduction Scheme (as shown on page 7)			<u>24,255</u>	<u>26,621</u>
			<u>865,926</u>	<u>872,643</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.

	2014/15 £000	2015/16 £000
Relevant Community Safety expenditure included in Environmental Services	3,461	3,455

MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

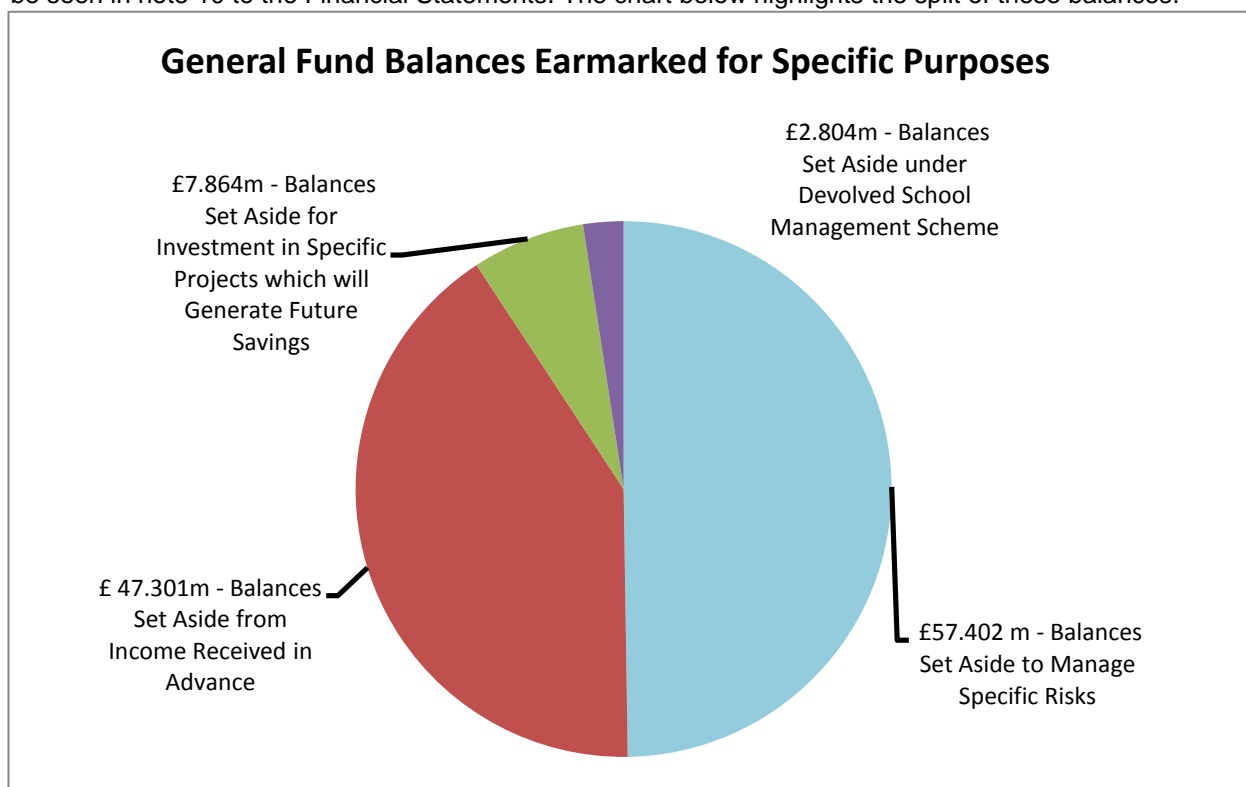
The Council's General Fund reserves comprise two elements:

- The unallocated General Fund; and
- Balances earmarked for specific purposes.

The unallocated General Fund is held against the risk of unanticipated expenditure and/or reduced income arising in any particular year. The level of this reserve is reviewed annually by the Council as part of the revenue budget process. This review considers the level of balances held, the financial risks which could be realised and the arrangements in place to manage these.

The **latest review** was in January 2016, as part of the 2016-2017 budget setting process. The unallocated General Fund balance remains at £13.025m, which equates to 1.36% of the annual budgeted net expenditure. There were no planned contributions to the unallocated General Fund for 2015/16.

In addition, the Council has a further £115.371m of balances earmarked for specific purposes. Details can be seen in note 10 to the Financial Statements. The chart below highlights the split of these balances.



These balances are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future. Examples include monies earmarked for staff release costs and the insurance fund.
- Balances set aside from income received in advance are primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof.
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances.
- Balances held under the School Board Delegation Scheme (DSM), which permits balances on individual school budgets to be carried forward to the following financial year.

In summary, the level of reserves at 31 March 2016, together with the forward strategy, are considered appropriate in view of the financial liabilities and risks likely to face the Council in the short to medium term.

Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £2.657m, the Capital Fund with a balance of £68.793m and the Renewal and Repairs Fund with a balance of £38.194m.

MANAGEMENT COMMENTARY

Financial Performance - continued

On-Going and Future Developments

Transformation Programme

The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council has developed a Transformation Programme aimed at building a lean and agile organisation, centred on customers, services and communities. On 25 June 2015, Council approved a report on the **Transformation Programme** which set out the future operating model for the Council.

As of **August 2016**, the first phase of organisational reviews is nearing conclusion, with new structures implemented and associated savings realised in seventeen areas. A further seven areas are in the consultation or matching and assignment phase and are on track to deliver new structures and associated savings in the coming weeks. Progress in delivery is being closely tracked and reported to CLT on a monthly basis and to elected members every two months. As at 5 August 2016, staff accounting for a total of 653.2 FTE have left or are confirmed to be leaving the organisation under VERA or VR arrangements. The one-off cost associated with these cases is £28.6m and the overall payback is 14.2 months, which is in line with planning assumptions.

Budget framework

On 21 January 2016, the Council approved a firm **balanced budget for 2016/17** and indicative balanced budgets for the following two years, subject to confirmation of actual grant funding allocations. With the intention of supporting the areas concerned to return to a sustainable financial footing, the approved budget framework includes additional service investment in both Health and Social Care and Corporate Property, funded by means of a range of transformation programme and service prioritisation-based savings within these functions and across the Council as a whole. The combined impact of this service investment, cost pressures arising from legislative change, continuing increases in demographic-led demand, inflationary uplifts and a cash-terms reduction in grant funding means that over £70m of savings require to be delivered in 2016/17 alone. Given this position and building on the improved scrutiny of the delivery of approved savings proposals and management of risks and pressures put in place for 2015/16, the first “budget challenge” meetings of the year involving Directors and key elected members have been held. These meetings are being supplemented by monthly Corporate Leadership Team consideration and discussion.

Following the Commission on Local Tax Reform report, the Scottish Government has announced changes to Council Tax to be implemented from the 2017/18 financial year, subject to parliamentary approval. The Council Tax band multipliers for properties in bands E, F G and H relative to Band D properties will increase, with the freeze lifted allowing a maximum increase of 3% per year, which is in-line with the Council's long-term financial plan assumptions. In the medium- to longer-term, the Scottish Government has also signalled the potential for councils to be assigned an element of income tax receipts generated in their respective areas as an incentive to encourage economic growth.

Health and Social Work Integration

The Public Bodies (Joint Working) (Scotland) Bill

The Public Bodies (Joint Working) (Scotland) Bill was given Royal Assent by the Public Bodies Act and was laid before the Scottish Parliament in the summer of 2015. Formal delegation of functions and resources to the Edinburgh Integration Joint board (EIJB) commenced on the 1st April 2016, following approval of the Strategic Plan by the EIJB. The Council's Internal Audit function audited the arrangements for Integration in Spring 2015 and the audit was signed off in July.

Governance

The Edinburgh Integrated Joint Board is now formally in place. A Tripartite agreement setting out the principles under which the Edinburgh Health and Social Care Partnership comprising the Edinburgh Integrated Joint Board (EIJB), NHS Lothian (NHSL) and the City of Edinburgh Council (the Council) will operate was agreed in March 2016. It outlines support of the Integration Scheme, describes the sharing of duties, powers and responsibilities and risks and ensures compliance with statutory regulations and guidance.

The leadership arrangements in place up to the formal establishment of the Integrated Joint Board have been replaced by the Edinburgh Health and Social Care Partnership Interface Group. This group will ensure open dialogue between the parties and has a remit to; discuss financial matters, resolve any delivery issues, discuss operational matters in relation to directions and as the first point of discussion with regard to formal disputes.

The Chief Officer took up post on 2nd November 2015 and prior to this the Interim Chief Finance Officer was appointed in August 2015.

MANAGEMENT COMMENTARY

Financial Performance - continued

Health and Social Work Integration - continued

Resource

The Edinburgh Integrated Joint Board holds a combined budget of around £577 million of which approximately £185 million is derived from the Council budget. This brings together existing budgets from the Health and Social Care Service in the Council as well as those from NHS Lothian's Community Health Partnership. These budgets are to be delegated to the Integrated Joint Board for governance, planning and resourcing purposes. The Strategic Plan through directions will identify how the resources are to be spent to deliver on the national outcomes and how the balance of care will be shifted from institutional to community-based settings.

Housing Revenue Account

The Council has a statutory obligation to maintain a housing revenue account (HRA) which records all income and expenditure for the management of, and investment in, Council homes. All expenditure on homes let by the Council is funded through the rent and related service charges paid by its tenants.

The HRA Business plan supports delivery of the City Housing Strategy by:

- providing high quality housing services to tenants;
- improving the quality of existing homes and neighbourhoods; and
- building new, energy efficient affordable homes to address the shortage of affordable housing in the city.

Since 2006/07, the HRA has been supported by a rent strategy of annual rent increases to ensure that there was a robust financial framework for delivering the capital investment required to meet the Scottish Housing Quality Standard by 2015. Following this, consultation was carried out with tenants to identify their top investment priorities for 2015/16. Based on the outcome of this consultation, capital investment focused investment to reduce household energy costs and build more affordable homes.

The 2015/16 Capital Programme prioritised investment in energy efficiency measures to alleviate fuel poverty and contribute to the Council and national carbon saving targets. All Council homes need to meet the Energy Efficiency Standard for Social Housing (EESH) by 2020. The Programme worked towards this target by accelerating the installation of new heating systems. The Capital Programme also focused delivery on an external fabric programme to improve energy efficiency in blocks across the city, through a combination of insulation and external render upgrades.

In addition to this, tenants have benefited from further modernisation investment to common areas including lift car upgrades, stair windows, door entry systems and external fabric improvements.

The majority of the delivery of the 2015/16 capital investment programme is through a new Housing Asset Management framework. The new framework has had a positive impact on value for money and quality to customers, achieving savings of up to 20% on certain elements of the programme. The new framework also gives the Council more flexibility and includes performance measures enabling robust contract management.

Significant progress has also been made in delivering new homes through the 21st Century Homes programme. In 2015/16 the programme was expanded to include an additional 400 homes. The current programme is set to deliver over 1,800 new homes, with at least 1,000 of these being let as affordable homes. The programme has been a catalyst for wider regeneration and has brought the Council recognition as a successful house builder, which has been evidenced through awards.

The capital programme supports investment in current homes and neighbourhoods and funds the construction of new affordable homes. The capital programme is funded mainly through prudential borrowing; however capital receipts, capital funded from current revenue and grants (Home Energy Efficiency Programme Scotland) also contribute to capital investment.

HRA income pays for housing management services and repairs and maintenance. It also meets the cost of servicing borrowing required for capital investment. Feedback from Council tenants shows satisfaction with the overall housing service is very high with many areas of satisfaction being top quartile or above average compared to other local authorities. The results show that the Council continues to be in the top three local authorities for satisfaction with the service, the local neighbourhood and quality of homes. There has also been a 14% increase in the number of tenants who think their rent provides value for money, placing the Council above average and amongst the top performing local authorities in this area.

MANAGEMENT COMMENTARY

Financial Performance - continued

Housing Revenue Account - continued

At the end of 2015/16, the HRA was balanced after making a contribution of £2.256m to the Renewal and Repairs Fund. These funds are earmarked for future capital investment in new homes through 21st Century Homes and as a contingency to manage the impact of welfare reform. In line with the HRA business plan, an additional £10.0m of debt was paid off in-year.

Throughout 2015/16 the Council extensively consulted tenants on their priorities for future investment and rent levels to inform the rent strategy from 2016/17 onwards. Many Council tenants are experiencing real and significant financial hardship and there are not sufficient homes being built in the housing market which meet current need and demand and the challenge of a growing population. In response to this a five year investment strategy has been developed which aims to significantly increase the number of affordable homes in the city from 3,000 to 8,000 over the next ten years and invest in services that will reduce tenants' cost of living.

Capital Expenditure

Capital expenditure is controlled through the Prudential Code that provides the framework for investing in infrastructure. In Scotland, local authorities are required by regulation to comply with the Prudential Code under Part 7 of the Local Government (Scotland) Act 2003. The key objectives of the Prudential Code are to ensure that capital plans are affordable, prudent and sustainable and that treasury decisions are taken in accordance with professional guidance and best practice.

In addition, capital plans must be consistent with, and support, local strategic planning, local asset management planning and proper option appraisal.

The outturn position for capital expenditure is summarised below:

	Revised Budget 2015/16 £000	Actual 2015/16 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	165,277	156,289	(8,988)
Housing Revenue Account	<u>48,830</u>	<u>35,626</u>	<u>(13,204)</u>
Total capital expenditure	<u>214,107</u>	<u>191,915</u>	<u>(22,192)</u>
Capital receipts and other contributions			
- General Fund services	(36,564)	(80,938)	(44,374)
- Housing Revenue Account	(13,782)	(10,762)	3,020
Government and other grants			
- General Fund services	(89,853)	(89,503)	350
- Housing Revenue Account	<u>(3,780)</u>	<u>(8,159)</u>	<u>(4,379)</u>
Total capital income	<u>(143,979)</u>	<u>(189,362)</u>	<u>(45,383)</u>
Balance to be funded through borrowing			
- General Fund services	38,860	(14,152)	(53,012)
- Housing Revenue Account	<u>31,268</u>	<u>16,705</u>	<u>(14,563)</u>
Total advances from loans fund	<u>70,128</u>	<u>2,553</u>	<u>(67,575)</u>

Expenditure on General Fund services slipped in total by £8.988m. The majority of slippage related to delays on the Boroughmuir High School replacement, Portobello High School replacement and Early Years improvement projects, caused by factors largely out with the Council's control. Expenditure on the Housing Revenue Account slipped by £13.204m.

Capital receipts and other contributions for General Fund Services includes settlement of a planned but unbudgeted within year receipt for the sale of the Atria totalling £91.251m. This is presented net of a transfer to the capital fund totalling £51.889m which is earmarked to fund Council transformation costs, a top up to the Strategic Investment Fund and to redeem debt.

The Council received £57.461m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure - continued

Capital expenditure for the year totalled £191.915m. Major capital projects undertaken during the year included:

- Educational properties - £57.452m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £35.626m;
- Social housing through the housing development fund - £31.663m;
- Roads, carriageways and other infrastructure - £25.324m;
- Health and Social Care establishments - £6.531m;
- Recreational venues (including libraries, parks and open spaces) - £3.683m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £1.498m.

Group Accounts

The Council's arm's-length companies have been affected by the economic climate. A number of the companies are involved in the property market and have seen the values of their property portfolios decrease as a direct result of the current economic conditions. In June 2014 the Council agreed a restructuring of its property companies. Waterfront Edinburgh Ltd, Parc Craigmillar Ltd and Shawfair Land Ltd became wholly owned subsidiaries of the EDI Group Ltd to ensure that there is a coherent strategy across the companies and to improve corporate governance.

Net assets for 2015/16 include a combined group pension liability of £426.753m (2014/15 £749.701m), as shown in note 43.9. The 2014/15 comparative has been restated to correct a prior year misstatement. This reflects the inclusion of pension liabilities relating to Council, other employees, including subsidiary companies and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2016. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

ANDREW KERR
Chief Executive

HUGH DUNN, CPFA
Acting Executive Director of Resources

ANDREW BURNS
Council Leader

29 September 2016

29 September 2016

29 September 2016

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs, including group interests, and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer was the Head of Finance up until 5 January 2016, thereafter the Acting Executive Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- to approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 29 September 2016.

ANDREW BURNS
Council Leader

29 September 2016

The Section 95 Officer's responsibilities

The Section 95 Officer is responsible for the preparation of the Authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Section 95 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Local Authority Accounting Code (insofar as it is compatible with legislation), except where stated in the Policies and Notes to the Accounts.

The Section 95 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
Section 95 Officer

29 September 2016

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and its Group members. Reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation), most of which is already earmarked and other, unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves undertaken by the Council. Group reserves are shown as either usable or unusable reserves.

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2015/16				
Balance at 31 March 2015	117,524	0	35,833	0
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	(14,092)	15,568	0	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	(14,092)	15,568	0	0
Adjustments between accounting basis and funding basis under regulations (Note 9)	12,489	(13,312)	0	(116,763)
Net (increase) / decrease before transfers to statutory reserves	(1,603)	2,256	0	(116,763)
Transfer (to) / from other statutory reserves (Note 10.3)	12,475	(2,256)	2,361	116,763
Increase / (decrease) in year	10,872	0	2,361	0
Balance at 31 March 2016	128,396	0	38,194	0
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2015/16				
Balance at 31 March 2015	4,349	31,721	189,427	10,172
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	0	0	1,476	3,672
Other Comprehensive Income and Expenditure	0	0	0	29,244
Total Comprehensive Income and Expenditure	0	0	1,476	32,916
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,692)	0	(119,278)	476
Net (increase) / decrease before transfers to statutory reserves	(1,692)	0	(117,802)	33,392
Transfer (to) / from other statutory reserves (Note 10.3)	0	37,072	166,415	(2,938)
Increase / (decrease) in year	(1,692)	37,072	48,613	30,454
Balance at 31 March 2016	2,657	68,793	238,040	40,626

MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2015/16				
Balance at 31 March 2015	<u>199,599</u>	<u>1,449,087</u>	<u>99,107</u>	<u>1,747,793</u>
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	5,148	0	0	5,148
Other Comprehensive Income and Expenditure	<u>29,244</u>	<u>329,667</u>	<u>6,797</u>	<u>365,708</u>
Total Comprehensive Income and Expenditure	34,392	329,667	6,797	370,856
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>(118,802)</u>	<u>119,278</u>	<u>(476)</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	(84,410)	448,945	6,321	370,856
Transfer (to) / from other statutory reserves (Note 10.3)	<u>163,477</u>	<u>(166,415)</u>	<u>2,938</u>	<u>0</u>
Increase / (decrease) in year	<u>79,067</u>	<u>282,530</u>	<u>9,259</u>	<u>370,856</u>
Balance at 31 March 2016	<u>278,666</u>	<u>1,731,617</u>	<u>108,366</u>	<u>2,118,649</u>

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
(re-stated) 2014/15 Comparative Data				
Balance at 31 March 2014	<u>123,310</u>	<u>0</u>	<u>22,504</u>	<u>0</u>
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	(5,004)	17,937	0	0
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,479</u>
Total Comprehensive Income and Expenditure	(5,004)	17,937	0	21,479
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>7,629</u>	<u>(14,973)</u>	<u>0</u>	<u>(21,479)</u>
Net (increase) / decrease before transfers to statutory reserves	2,625	2,964	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	<u>(8,411)</u>	<u>(2,964)</u>	<u>13,329</u>	<u>0</u>
Increase / (decrease) in year	<u>(5,786)</u>	<u>0</u>	<u>13,329</u>	<u>0</u>
Balance at 31 March 2015	<u>117,524</u>	<u>0</u>	<u>35,833</u>	<u>0</u>

MOVEMENT IN RESERVES STATEMENT

(re-stated) 2014/15 Comparative Data	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Restated Group Usable Reserves £000
Balance at 31 March 2014	1,994	22,379	170,187	23,450
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	0	0	12,933	6,458
Other Comprehensive Income and Expenditure	0	11,298	32,777	(27,719)
Total Comprehensive Income and Expenditure	0	11,298	45,710	(21,261)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,355	0	(26,468)	307
Net (increase) / decrease before transfers to statutory reserves	2,355	11,298	19,242	(20,954)
Transfer (to) / from other statutory reserves (Note 10.3)	0	(1,956)	(2)	7,676
Increase / (decrease) in year	2,355	9,342	19,240	(13,278)
Balance at 31 March 2015	4,349	31,721	189,427	10,172

(re-stated) 2014/15 Comparative Data	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2014	193,637	1,607,797	108,949	1,910,383
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	19,391	0	0	19,391
Other Comprehensive Income and Expenditure	5,058	(185,180)	(1,859)	(181,981)
Total Comprehensive Income and Expenditure	24,449	(185,180)	(1,859)	(162,590)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(26,161)	26,468	(307)	0
Net (increase) / decrease before transfers to statutory reserves	(1,712)	(158,712)	(2,166)	(162,590)
Transfer (to) / from other statutory reserves (Note 10.3)	7,674	2	(7,676)	0
Increase / (decrease) in year	5,962	(158,710)	(9,842)	(162,590)
Balance at 31 March 2015	199,599	1,449,087	99,107	1,747,793

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2016

(re-stated) 2014/15 £000	Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES			
340,451	Education Services	381,296	(25,505)	355,791
0	Contribution to Health Integration Joint Board	47	(45)	2
323,248	Social Work	400,017	(78,750)	321,267
(33,291)	Housing Revenue Account	83,864	(110,584)	(26,720)
30,314	Other Housing Services	299,979	(268,416)	31,563
49,113	Cultural and Related Services	59,850	(17,712)	42,138
72,290	Environmental Services	107,211	(28,548)	78,663
63,523	Roads and Transport	259,913	(192,893)	67,020
27,259	Planning and Development	59,883	(33,708)	26,175
13,540	Corporate and Democratic Core	13,470	(964)	12,506
18,600	Non-Distributed Costs	20,049	0	20,049
7,584	Services to the Public	24,528	(16,945)	7,583
10,040	Other Income and Expenditure	84,997	(69,938)	15,059
1,858	Associates and Joint Ventures Accounted for on an Equity Basis	21,462	(18,712)	2,750
924,529	COST OF SERVICES	<u>1,816,566</u>	<u>(862,720)</u>	953,846
(4,807)	Other Operating Income			(36,148)
92,003	Financing and Investment Income and Exp.			106,863
(1,031,116)	Taxation and Non-Specific Grant Income			(1,029,709)
(19,391)	SURPLUS ON PROVISION OF SERVICES			(5,148)
(19,070)	Surplus on Revaluation of Non-Current Assets		(3,169)	
0	Defecit on Revaluation of Available for Sale Financial Assets		16	
(204,649)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		(37,286)	
361,397	Changes in Financial and Demographic Assumptions / Other Experience		(285,852)	
44,303	Other Unrealised (Gains) / Losses		<u>(39,417)</u>	
181,981	Other Comprehensive Income and Expend.			(365,708)
162,590	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			<u>(370,856)</u>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing Council services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2016

(re-stated) 2014/15			Gross Expend.	Income	Net Expend.
£000	SERVICES	Notes	£000	£000	£000
340,451	Education Services		381,296	(25,505)	355,791
0	Contribution to Health Integration Joint Board		47	(45)	2
323,248	Social Work		400,017	(78,750)	321,267
(33,291)	Housing Revenue Account		83,864	(110,584)	(26,720)
30,314	Other Housing Services		299,979	(268,416)	31,563
50,870	Cultural and Related Services		55,508	(11,133)	44,375
72,290	Environmental Services		107,211	(28,548)	78,663
70,815	Roads and Transport		124,219	(49,797)	74,422
32,695	Planning and Development		55,626	(27,241)	28,385
13,540	Corporate and Democratic Core		13,470	(964)	12,506
18,600	Non-Distributed Costs		20,049	0	20,049
7,584	Services to the Public		24,528	(16,945)	7,583
5,133	Other Income and Expenditure		80,171	(69,396)	10,775
932,249	COST OF SERVICES		<u>1,645,985</u>	<u>(687,324)</u>	958,661
(4,716)	Other Operating Income	11.			(36,146)
92,328	Financing and Investment Income and Exp.	12.			108,331
(1,032,794)	Taxation and Non-Specific Grant Income	13.			(1,032,322)
(12,933)	SURPLUS ON PROVISION OF SERVICES				(1,476)
(19,070)	Deficit / (Surplus) on Revaluation of Non-Current Assets			2,294	
(204,649)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(37,286)	
361,397	Changes in Financial and Demographic Assumptions / Other Experience			(285,852)	
14,725	Other Unrealised Losses			<u>(8,823)</u>	
152,403	Other Comprehensive Income and Expend.				<u>(329,667)</u>
139,470	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				<u><u>(331,143)</u></u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
139,470	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(331,143)
829	Subsidiary and associate transactions included in the Council's CIES	(761)
15,161	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(34,752)
7,130	Associates	<u>(4,200)</u>
162,590	Group total Comprehensive (Income) / Expenditure for the year	<u><u>(370,856)</u></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 assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold.

(re-stated) 31 March 2014 £000	(re-stated) 31 March 2015 £000		Notes	31 March 2016	
				£000	£000
3,292	4,954	Intangible Assets	16.		3,665
1,017,351	1,029,558	Council Dwellings		1,030,623	
1,763,693	1,732,117	Other Land and Buildings		1,613,201	
103,377	178,127	Vehicles, Plant, Furniture and Equipment		177,742	
941,347	912,496	Infrastructure Assets		872,920	
11,347	12,192	Community Assets		12,964	
17,150	12,624	Surplus Assets		2,420	
79,740	50,330	Assets under Construction		89,688	
<u>3,934,005</u>	<u>3,927,444</u>	Property, Plant and Equipment	14.		3,799,558
2,415	16,304	Investment Properties	15.		17,450
30,391	31,075	Heritage Assets	17.		31,116
17,379	21,179	Assets Held for Sale	22.		43,746
821	794	Available for Sale Financial Assets			733
258	297	Deferred Tax			202
11,524	0	Other Long-Term Assets (Pension)			17,936
5,127	11,553	Long-Term Investments			11,516
37,845	33,771	Investments in Associates and Joint Ventures			32,315
96,788	115,039	Long-Term Debtors	20.		<u>94,648</u>
<u>4,139,845</u>	<u>4,162,410</u>	Long-Term Assets			<u>4,052,885</u>
4,586	0	Short-Term Investments		13,022	
2,889	8,503	Assets Held for Sale	22.	683	
0	0	Available for Sale Financial Assets	18.	64,311	
17,220	12,057	Inventories	19.	17,661	
124,394	83,370	Short-Term Debtors	20.	96,785	
37,467	95,504	Cash and Cash Equivalents	21.	<u>118,712</u>	
<u>186,556</u>	<u>199,434</u>	Current Assets			311,174
(57,994)	(77,787)	Short-Term Borrowing		(87,321)	
(183,147)	(180,107)	Short-Term Creditors	23.	(174,802)	
(4,977)	(1,340)	Capital Grants Received in Advance		0	
<u>(19,576)</u>	<u>(19,770)</u>	Provisions	24.	<u>(13,004)</u>	
<u>(265,694)</u>	<u>(279,004)</u>	Current Liabilities			<u>(275,127)</u>

GROUP BALANCE SHEET

(re-stated) 31 March 2014	(re-stated) 31 March 2015		31 March 2016	
£000	£000	Notes	£000	£000
(1,393,140)	(1,351,473)	Long-Term Borrowing	(1,298,248)	
(205,184)	(232,435)	Other Long-Term Liabilities	(219,947)	
(9,547)	(3,467)	Deferred Tax	(9,072)	
(5,665)	(8,723)	Liabilities in Associates and Joint Ventures	(3,066)	
<u>(536,787)</u>	<u>(738,949)</u>	Other Long-Term Liabilities (Pensions)	<u>(439,950)</u>	
<u>(2,150,323)</u>	<u>(2,335,047)</u>	Long-Term Liabilities		<u>(1,970,283)</u>
<u>1,910,384</u>	<u>1,747,793</u>	Net Assets		<u>2,118,649</u>
913,078	905,886	Revaluation Reserve	856,303	
1,307,623	1,340,067	Capital Adjustment Account	1,376,328	
(51,049)	(49,159)	Financial Instruments Adjustment Account	(47,214)	
0	0	Available for Sale Financial Assets Reserve	2	
(535,498)	(726,969)	Pensions Reserve	(438,940)	
(26,357)	(20,738)	Employee Statutory Adjustment Account	(14,862)	
<u>108,950</u>	<u>99,107</u>	Group Unusable Reserves	<u>108,366</u>	
<u>1,716,747</u>	<u>1,548,194</u>	Unusable Reserves	26.	1,839,983
1,994	4,349	Capital Grants Unapplied Account	2,657	
22,379	31,721	Capital Fund	68,793	
22,504	35,833	Renewal and Repairs Fund	38,194	
123,310	117,524	General Fund	128,396	
<u>23,450</u>	<u>10,172</u>	Group Usable Reserves	<u>40,626</u>	
<u>193,637</u>	<u>199,599</u>	Usable Reserves	10.	278,666
<u>1,910,384</u>	<u>1,747,793</u>	Total Reserves		<u>2,118,649</u>

The unaudited accounts were issued on 24 June 2016. The audited accounts were authorised for issue on 29 September 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
29 September 2016

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

(re-stated) 31 March 2014 £000	(re-stated) 31 March 2015 £000		Notes	31 March 2016	
				£000	£000
3,292	4,954	Intangible Assets	16.		3,665
1,017,351	1,029,558	Council Dwellings		1,030,623	
1,735,804	1,704,462	Other Land and Buildings		1,583,123	
35,755	104,027	Vehicles, Plant, Furniture and Equipment		105,961	
939,723	911,161	Infrastructure Assets		871,874	
11,347	12,192	Community Assets		12,964	
17,150	12,624	Surplus Assets		2,420	
79,740	50,330	Assets under Construction		89,688	
<u>3,836,870</u>	<u>3,824,354</u>	Property, Plant and Equipment	14.		3,696,653
2,215	16,104	Investment Properties	15.		17,250
30,391	31,075	Heritage Assets	17.		31,116
17,379	21,179	Assets Held for Sale	22.		43,746
23,335	23,510	Long-Term Investments			23,474
<u>100,287</u>	<u>118,539</u>	Long-Term Debtors	20.		<u>99,274</u>
<u>4,013,769</u>	<u>4,039,715</u>	Long-Term Assets			<u>3,915,178</u>
4,586	0	Short-Term Investments		13,022	
2,889	8,503	Assets Held for Sale	22.	683	
0	0	Available for Sale Financial Assets	18.	64,311	
2,537	2,749	Inventories	19.	2,699	
114,397	70,181	Short-Term Debtors	20.	86,600	
<u>20,167</u>	<u>81,948</u>	Cash and Cash Equivalents	21.	<u>97,991</u>	
<u>144,576</u>	<u>163,381</u>	Current Assets			265,306
(57,994)	(79,287)	Short-Term Borrowing		(87,321)	
(160,985)	(151,446)	Short-Term Creditors	23.	(148,008)	
(4,977)	(1,340)	Capital Grants Received in Advance		0	
<u>(16,752)</u>	<u>(17,994)</u>	Provisions	24.	<u>(11,532)</u>	
<u>(240,708)</u>	<u>(250,067)</u>	Current Liabilities			(246,861)

BALANCE SHEET

(re-stated) 31 March 2014 £000	(re-stated) 31 March 2015 £000		Notes	31 March 2016	
				£000	£000
(1,403,784)	(1,360,607)	Long-Term Borrowing	18.	(1,308,889)	
(200,371)	(226,939)	Other Long-Term Liabilities	18.	(216,137)	
<u>(535,498)</u>	<u>(726,969)</u>	Other Long-Term Liabilities (Pensions)	43.3	<u>(438,940)</u>	
<u>(2,139,653)</u>	<u>(2,314,515)</u>	Long-Term Liabilities			<u>(1,963,966)</u>
<u>1,777,984</u>	<u>1,638,514</u>	Net Assets			<u>1,969,657</u>
913,078	905,886	Revaluation Reserve		856,303	
1,307,623	1,340,067	Capital Adjustment Account		1,376,328	
(51,049)	(49,159)	Financial Instruments Adjustment Account		(47,214)	
0	0	Available for Sale Financial Assets Reserve		2	
(535,498)	(726,969)	Pensions Reserve		(438,940)	
<u>(26,357)</u>	<u>(20,738)</u>	Employee Statutory Adjustment Account		<u>(14,862)</u>	
<u>1,607,797</u>	<u>1,449,087</u>	Unusable Reserves	26.		1,731,617
1,994	4,349	Capital Grants Unapplied Account		2,657	
22,379	31,721	Capital Fund		68,793	
22,504	35,833	Renewal and Repairs Fund		38,194	
<u>123,310</u>	<u>117,524</u>	General Fund		<u>128,396</u>	
<u>170,187</u>	<u>189,427</u>	Usable Reserves	10.		238,040
<u>1,777,984</u>	<u>1,638,514</u>	Total Reserves			<u>1,969,657</u>

The unaudited accounts were issued on 24 June 2016. The audited accounts were authorised for issue on 29 September 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
29 September 2016

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Year ended 31 March 2016

(re-stated)

2014/15

£000

		Notes	£000	£000
	Operating Activities			
(216,370)	Taxation		(216,032)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(543,907)	Sales of goods and rendering of services		(558,274)	
<u>(10,978)</u>	Interest and investment income received	27.	<u>(7,061)</u>	
(1,936,697)	Cash inflows from operating activities			(1,931,320)
647,531	Cash paid to and on behalf of employees		579,077	
202,498	Housing benefits paid out		200,635	
750,202	Cash paid to suppliers of goods and services		847,029	
3,546	Taxation paid		2,245	
<u>95,936</u>	Interest paid	27.	<u>97,540</u>	
<u>1,699,713</u>	Cash outflows from operating activities			<u>1,726,526</u>
(236,984)	Net cash flows from operating activities			(204,794)
	Investing Activities			
183,102	Net cash flows from investing activities	28.		130,808
	Financing Activities			
<u>(4,155)</u>	Net cash flows from financing activities	29.		<u>50,778</u>
<u>(58,037)</u>	Net decrease / (increase) in cash and cash equivalents			<u>(23,208)</u>
<u>(37,467)</u>	Cash and cash equivalents at 1 April			<u>(95,504)</u>
<u>(95,504)</u>	Cash and cash equivalents at 31 March	21.		<u>(118,712)</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 2016

2014/15 £000		Notes	£000	£000
	Operating Activities			
(216,284)	Taxation		(216,461)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(387,101)	Sales of goods and rendering of services		(394,200)	
<u>(10,748)</u>	Interest and investment income received	27.	<u>(6,849)</u>	
(1,779,575)	Cash inflows from operating activities			(1,767,463)
571,736	Cash paid to and on behalf of employees		582,155	
202,498	Housing benefits paid out		200,635	
694,796	Cash paid to suppliers of goods and services		699,262	
<u>95,470</u>	Interest paid	27.	<u>97,072</u>	
<u>1,564,500</u>	Cash outflows from operating activities			<u>1,579,124</u>
(215,075)	Net cash flows from operating activities			(188,339)
	Investing Activities			
159,224	Net cash flows from investing activities	28.		126,115
	Financing Activities			
<u>(5,930)</u>	Net cash flows from financing activities	29.		<u>46,181</u>
<u>(61,781)</u>	Net decrease / (increase) in cash and cash equivalents			<u>(16,043)</u>
<u>(20,167)</u>	Cash and cash equivalents at 1 April			<u>(81,948)</u>
<u>(81,948)</u>	Cash and cash equivalents at 31 March	21.		<u>(97,991)</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Council.

1.1 Accruals of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice.
- Provision has been made in the relevant accounts for bad and doubtful debts.

1.2 Debt Redemption

- The Council operates a consolidated loans fund under the terms of the Local Government (Scotland) Act 1975. Capital payments made by services are financed from the loans fund and repaid on an annuity basis.
- Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing is taken with a refinancing or restructuring option, gains or losses are recognised over the life of the replacement borrowing.

1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

- credit and debit funds held in banks; and
- investments maturing within three months of the Balance Sheet date in respect of the Council and two months of the Balance Sheet date in respect of other Group members.

1.4 Contingent Assets and Liabilities

Contingent assets are not recognised in the accounting statements. Where there is a probable inflow of economic benefits or service potential, this is disclosed in the notes to the financial statements.

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefit, this is disclosed in the notes to the financial statements.

1.5 Provisions

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

1.6 Employee Benefits

• Accruals of Holiday Leave

'Cost of services' within the Comprehensive Income and Expenditure Statement includes a charge for annual leave to which employees are entitled, but have not taken, as at the Balance Sheet date.

The Council is not required to raise Council Tax to cover the cost of accrued annual leave. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account balances by way of an adjusting transaction with the employee statutory adjustment account.

• Pensions

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

• Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension cost charged in the accounts is the contribution rate set on the basis of a notional fund.

• Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Employee Benefits - continued

- Pensions - continued

- Other Employees - continued

The Financial Statements have been prepared including pension costs as determined under International Accounting Standard 19 - Employee Benefits (IAS19). The cost of services includes expenditure equivalent to the amount of retirement benefits the Council has committed to during the year. The interest cost on defined benefit obligation and interest income on plan assets have been charged / credited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations is disclosed in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

1.7 Financial Instruments

- Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement (CIES) is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement for the General Fund Balance.

- Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council may make loans to related parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the related party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. For soft loans to subsidiary bodies, the writedown is accounted for as an additional investment in the subsidiary in the Council's Group Accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.7 Financial Instruments - continued

- **Financial Assets - continued**

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Surplus funds on behalf of the Council and associated bodies and cash monies of Lothian Pension Funds are now managed by the Council under a formal management agreement in a pooled investment arrangement. While the monies continue to be shown as investments in Lothian Pension Funds' accounts, they are no longer shown as both liabilities and investments in the Council's accounts.

- **Available-for-Sale-Financial Instruments**

The Council has a significant financial interest in several companies and trusts which have been set up for specific purposes. Details of these appear in note 7 to the Financial Statements. These financial interests have been assessed under the requirements of IAS39 Financial Instruments: Measurement.

The Council's investments in Transport for Edinburgh, CEC Holdings Limited and CEC Recovery Limited (formerly tie Limited) have been assessed as outwith the scope of IAS39.

Unless otherwise stated, the accounts of these companies may be obtained on application to the Corporate Finance Senior Manager, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

1.8 Government and non-Government Grants and Contributions

- **Revenue**

Revenue grants and contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

- **Capital**

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred and the unapplied capital grants account, where expenditure has not been incurred.

Where there are outstanding conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

1.9 Intangible Assets

Intangible fixed assets represent software licences purchased by the Council.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

- **Measurement**

Intangible fixed assets are initially measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Intangible Assets - continued

- **Depreciation**

Software licences are depreciated over the period of the licence, commencing in the year after acquisition.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

1.11 Investment Properties

- **Measurement**

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value (the price that would be received for the asset in its highest and best use).

Any gains or losses arising from a change in the fair value of investment properties are recognised in the Comprehensive Income and Expenditure Statement for the period in which they arise.

- **Revaluation**

Investment properties are revalued annually.

- **Depreciation**

Investment properties held at fair value are not depreciated.

- **De-recognition**

Investment properties are de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

The gain or loss arising from the retirement or disposal of an investment property is recognised in the 'surplus or deficit on provision of services' within the Comprehensive Income and Expenditure Statement in the period of the retirement or disposal.

1.12 Leases

- **Finance Leases**

Finance leases, which have substantially transferred to the authority the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

- **Leased-in Assets**

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors.

The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

- **Operating Leases**

Leases that do not meet the definition of a finance lease are accounted for as operating leases.

- **Leased-in Assets**

Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.12 Leases - continued

- **Operating Leases - continued**

- **Leased-out Assets**

- Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

1.13 Current and Non-Current Assets Held for Sale

Current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

- **Measurement**

- Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

- **Depreciation**

- Current and non-current assets held for sale are not depreciated.

1.14 Overheads

The costs of support services are allocated to direct services. The allocations are made on a basis appropriate to the service provided, in order to match costs to service usage. Certain support service costs are recovered through direct charges during the year.

1.15 Public Private Partnership - School Buildings, Maintenance and Other Facilities

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the non-current assets required to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under this scheme and as ownership of the schools and other facilities will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on its Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other assets owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year - debited to education services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 8.968% (PPP1 scheme), 5.895% (PPP2 scheme) and 8.236% (James Gillespies High School - JGHS) on the outstanding balance sheet liability - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Fair Value measurement - surplus assets and investment properties

Surplus assets, investment properties and relevant financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In measuring the fair value, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

Appropriate valuation techniques have been applied, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

1.17 Heritage Assets

- **Categories of Assets**

Heritage assets comprise the following:

Monuments and statues	Civic regalia and artefacts
Archival collections	Libraries' special collections
Museum and gallery collections	

Intangible heritage assets represent three private vehicle registration plates.

It has not been practical or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.17 Heritage assets - continued

- **Measurement**

Heritage asset valuations may be made by any method that is appropriate and relevant. Furthermore valuations need not be carried out by external valuers and there is no prescribed minimum period between valuations.

The following measurement bases have been applied to heritage assets based on the most relevant and appropriate information available. This is set in the context where it is not practicable to obtain up to date valuations for all heritage assets at a cost which is commensurate with the benefits to users of the Council's financial statements.

- Monuments and statues Historic value
- Civic regalia and artefacts Insurance purposes valuation
- Archival collections Insurance purposes valuation, based on restoration costs only
- Libraries' special collections Insurance purposes valuation
- Museum and gallery collections Insurance purposes valuation
- Private vehicle registration plates Cost or current value information is not readily available, therefore these assets have not been recognised on the Council's Balance Sheet

- **Depreciation**

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

1.18 Property, Plant and Equipment

- **Categories of Assets**

Property, plant and equipment is categorised into the following classes:

Council dwellings	Other land and buildings
Vehicles, plant, furniture and equipment	Infrastructure assets, e.g. roads and footways
Community assets, e.g. parks	Assets under construction
Surplus assets (assets that are surplus to requirements, but there are no clear plans to sell these at the current time.)	

- **Recognition**

Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis. Expenditure lower than £6,000 on individual assets is charged to revenue.

- **Measurement**

Infrastructure, community assets and assets under construction are measured at historical cost.

All other classes of property, plant and equipment are measured at fair value.

- Other land and buildings - fair value is the amount that would be paid for the assets in their existing use.
- Council dwellings - fair value is measured at existing use value - social housing.
- Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost for short life and/or low values assets. For assets with longer lives and/or high values, fair value is the amount that would be paid for the asset in its existing use or depreciated replacement cost for specialised /rarely sold assets where insufficient market-based evidence exists.
- Surplus assets - fair value is the price that would be paid for an asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

- **Depreciation**

Depreciation is provided on all property, plant and equipment, other than freehold land, community assets and assets under construction.

The Council 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.

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Estate Manager (Projects).

- **De-recognition**

An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in 'surplus or deficit on the provision of services' within the Comprehensive Income and Expenditure Statement when the asset is de-recognised.

The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

- **Components**

Component accounting is applied to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately.

The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million 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.

1.19 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax.

Unusable reserves cannot be applied to fund expenditure.

- **Usable Reserves**

The Council operates the following usable reserves:

- Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
- Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
- Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
- Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
- General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.19 Reserves - continued

• Unusable Reserves

The Council operates the following unusable reserves:

- Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
- Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
- Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
- Pension reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003.
- Employee statutory adjustment account - represents the net monies which the Council requires to meet its short-term compensated absences for employees under IAS19.

1.20 Revenue Expenditure Funded from Capital Under Statute

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'net cost of services' in the Comprehensive Income and Expenditure Statement.

These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

1.21 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is not recoverable from HM Revenue and Customs.

1.22 Group Account Consolidation

IFRS 10, 'Consolidated Financial Statements', was issued in August 2011 and replaces the guidance on control and consolidation in IAS 27, 'Consolidated and Separate Financial Statements', and in SIC 12, 'Consolidation - Special Purpose Entities', along with other related code changes.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under IFRS 10 than under IAS 27. No differences were found.

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates - equity method.
- Transport for Edinburgh Limited's and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March), no consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals basis, with the exception of the International Conference Centre Income Trust and International Conference Centre Expenditure Trust, which have been prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards that have been Issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee benefits (Defined benefit plans - employee contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IFRS 11 Joint Arrangements
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement
- Change of accounting policy for the Highways Network Asset

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 financial statements.

Overall, the majority of these new or amended standards are not expected to have a significant impact on the financial statements. The adoption of amendments to IAS 1 and changes to the format of the Pension Fund Account and the Net Assets Statement represent a change in accounting policy which may require the restatement of the Balance Sheet at the beginning of the preceding period in the 2016/17 financial statements, if the changes are material. The adoption of changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves and the new Expenditure and Funding Analysis represent a change of accounting policy that will require the publication of a restated Balance Sheet at the beginning of the preceding period in the 2016/17 financial statements.

Change of accounting policy for the Highways Network Asset will see a significant change in balance sheet valuation as at 1 April 2016 but does not require any 2015/16 restatement.

3. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 to the Financial Statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant judgements made in these Financial Statements are detailed below:

3.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) and the Design, Build, Finance and Maintain (DBFM) for James Gillespies High School, for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2) and Hub South East Scotland (JGHS).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £561.529m at 31 March 2016) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. Full details of these interests are shown in note 7 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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 £9.347m for each year that useful lives were reduced.
Long-Term Contracts	The Council's approved budget provides for inflationary uplifts on long-term contracts.	If inflation were to increase by 1%, this would result in an additional cost of £0.560m per annum.
Provisions	The Council has made a provision of £0.568m in respect of the remainder of anticipated equal pay settlements. This is based on the number of potential claimants and assumes similar settlement terms to those achieved previously. There is uncertainty surrounding both of these assumptions.	Should the settlement values increase by 10%, this would have the effect of adding £0.057m to the provision required.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.
Arrears	At 31 March, the Council had a balance of sundry debtors of £32.217m. A review of significant balances suggested that an impairment of doubtful debts of £4.984m (15.5%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.611m to be set aside as an allowance.
VAT Recovery Status	The Council's accounts are prepared on the assumption that VAT charged on its purchases is fully recoverable and that it will not become partially exempt.	If the Council were to exceed its 5% de minimis level, a minimum repayment of £4.049m would be due to HM Revenue and Customs.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Council Tax Arrears	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. The Council currently assumes that 96.82% of Council Tax will be collected. An impairment for doubtful debts of £7.956m has been provided for in respect of sums due in the year. In the current economic climate it is not certain that this would be sufficient.	If collection rates were to deteriorate by 1%, the amount to be impaired would require an additional £2.502m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.779m. A review of significant balances suggested that an impairment of doubtful debts of £5.399m (79.6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There has been a significant increase in arrears and the impairment set aside, which should help protect against additional welfare reforms such as Universal Credit and the reduction in the benefits cap announced in the UK government's budget which will potentially impact on the level of rent arrears.
Council Dwellings - Housing Stock	Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied is 48%.	If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £19.372m. If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.372m.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

5. Material Items of Income and Expense

The Council used £20.942m of general fund underspends, income surpluses and reserves to fund staff release costs arising during the year. The effect of this is included within the Comprehensive Income and Expenditure Statement.

6. Events After the Balance Sheet Date

A revaluation of the Lauriston Castle collection commenced in January 2016. It is likely there will be a significant increase in the value of these assets when the details of the revaluation become available, however this will not be until October 2016 and as such will only be reflected in the 2016/17 accounts prospectively.

17 schools within the PPP1 contract were closed in April 2016 due to findings of property surveys undertaken as a consequence of a wall collapse at Oxfangs Primary School. The valuation of the affected schools reported within these financial statements does not reflect any impairment in value as a result of the defects identified. Remedial works have been undertaken by Edinburgh Schools Partnership and inspected and certified, with all costs borne by them to bring the properties back into operational use. The impact of the remedial works is deemed to have brought the properties back to an equivalent value to that prior to the identification of the defects.

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%	
• LPFE Limited	100.00%	
Joint Venture	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation

Unless otherwise stated, the accounts of these bodies may be obtained on application to the Corporate Finance Senior Manager, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.1 Subsidiary Companies

• Capital City Partnership

The company is a private company limited by guarantee and is a charitable organisation. The Council became the sole member of the company in January 2012.

The principal activities of the company are to promote community regeneration, by bringing together key statutory, voluntary, community and private sector bodies.

The most recent audited results of the company are as follows:	31.03.16	31.03.15
	£000	£000
Net assets	1,149	858
Net (profit) / loss before taxation	180	(41)
Retained profit carried forward	567	243

• CEC Holdings Limited

The principal activities of the company are property development and the operation of an international conference centre. The company is wholly owned by the City of Edinburgh Council.

The most recent audited results of the company are as follows:	31.12.15	31.12.14
	£000	£000
Net assets	16,348	17,920
Net (profit) / loss before taxation	(99)	(415)
Retained loss carried forward	(51,153)	(51,716)

The Council inherited its interest in CEC Holdings Limited following the local government reorganisation in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

• CEC Recovery Limited (*formerly tie Limited*)

The principal activity of the company was previously the promotion, development, procurement, project management and implementation of certain nominated projects. The company did not actively trade in the year to 31 March 2016 and is actively pursuing the transferral of project documentation to Transport Scotland. The company changed its name from tie Limited to CEC Recovery Limited on 13 May 2013.

The City of Edinburgh Council owns 100% (1,000 shares) of the issued share capital through Transport Edinburgh Limited (a dormant company), the immediate parent company of CEC Recovery Limited. The most recent audited results of the company are as follows:

	31.03.16	31.03.15
	£000	£000
Net assets	0	0
Net deficit before taxation	0	0
Retained loss carried forward	(1)	(1)

• LPFE Limited

The company was incorporated on 11 February 2015 and commenced trading on 1 May 2015.

The principal activity of the company is the provision of staff to the City of Edinburgh Council and LPFI Limited in support of the administration of Pension Funds. All pension funds are part of the Local Government Pension Scheme in Scotland.

The first audited results of the company are as follows:	14 months to
	31.03.16
	£000
Net assets	(142)
Net (profit) / loss before taxation	66
Retained loss carried forward	(142)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.1 Subsidiary Companies - continued

• Marketing Edinburgh Limited

The company is a private company limited by guarantee. The Council is the sole member.

The principal activities of the company are to increase economic activity within the Edinburgh area by promoting it as a destination to live, work, study, etc.

The most recent audited results of the company are as follows:

	31.03.16	31.03.15
	£000	£000
Net assets	261	262
Net (profit) / loss before taxation	(2)	41
Retained profit carried forward	261	259

• Transport for Edinburgh Limited

The principal activities of the company are as a holding company for the City of Edinburgh Council's interest in public transport companies; Lothian Buses Limited and Edinburgh Trams Limited. The company is wholly owned by the City of Edinburgh Council.

The Council's major shareholding in Lothian Buses of 5,824,139 (91.01%) £1 ordinary shares (fully paid) was transferred to Transport for Edinburgh Limited in 2014.

The Council inherited its interest in Lothian Buses Limited, following the reorganisation of local government in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

Edinburgh Trams Limited commenced a fare paying revenue service on 31 May 2014.

The most recent audited results of the company are as follows:

	31.12.15	31.12.14
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	99,395	61,825
Net (profit) / loss before taxation	(8,936)	(9,579)
Retained earnings	18,320	(11,136)
Dividend paid	0	5,000

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Associates

- **Edinburgh Leisure**

This is a non-profit-distributing company limited by guarantee and registered as a Charity. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

The principal activity of the company is the provision of recreation and leisure facilities.

The City of Edinburgh Council is represented on the company's Board of Directors and contributes a substantial sum to the company towards the cost of operating sport and leisure facilities.

The City of Edinburgh Council leases its sport and leisure centres to the company.

The most recent audited results of the company are as follows:	31.03.16	31.03.15
	£000	£000
Net assets / (liabilities)	657	(6,440)
Net operating (profit) / loss	1,524	(968)
Earnings / (Losses) carried forward	657	(6,440)

Although Edinburgh Leisure is included in the Group Accounts, as the nature of its activities is a core part of Council policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of Edinburgh Leisure, based on 33.33% (2014/15 33.33%) Board Representation, is as follows:

	31.03.16	31.03.15
	£000	£000
Incoming resources	(9,826)	(10,092)
Net (profit) / loss	(2,365)	868
Net assets / (liabilities)	219	(2,146)
Total usable reserves	219	(2,146)

- **Festival City Theatres Trust**

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

The most recent audited results of the company are as follows:	31.03.16	31.03.15
	£000	£000
Net assets	3,734	4,179
Net operational outgoing resources	597	197
Fund balances carried forward	3,734	4,179

Although Festival City Theatres Trust is included in the Group Accounts, due to the nature of its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of the Festival City Theatres Trust, based on 33.33% (2014/15 33.33%) Board representation, is as follows:

	31.03.16	31.03.15
	£000	£000
Incoming resources	(3,653)	(3,645)
Net outgoing resources	148	89
Net assets	1,245	1,393
Total usable reserves	1,245	1,393

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Associates - continued

- **Lothian Valuation Joint Board**

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

The group share of the results of the Lothian Valuation Joint Board, based on a 61.22% (2014/15 61.22%) funding percentage is as follows:

	31.03.16	Restated
	£000	31.03.15
		£000
Funding - requisitions	(3,746)	(3,742)
Other income	<u>(1,312)</u>	<u>(1,398)</u>
Total income	<u>(5,058)</u>	<u>(5,140)</u>
Deficit for the year	<u>382</u>	<u>200</u>
Net liabilities	<u>(3,066)</u>	<u>(6,576)</u>
Usable reserves		0
Unusable reserves	<u>(3,066)</u>	<u>(6,576)</u>
Total reserves	<u>(3,066)</u>	<u>(6,576)</u>

- **Edinburgh Integration Joint Board**

The Edinburgh Integration Joint Board (EIJB) was established by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. The Annual Accounts of EIJB are for the period from 27 June 2015 to 31 March 2016.

The Board comprises 10 voting members, made up of five elected members appointed by the City of Edinburgh Council and five NHS non-executive directors appointed by NHS Lothian, along with a number of non voting members.

The expenditure incurred by the EIJB is covered in full by income received from the partner bodies, NHS Lothian and the City of Edinburgh Council. EIJB will therefore commission services from the parent bodies based on the approved strategic plan.

	10 months to
	31.03.16
	£000
The first audited results of the company are as follows:	
Gross expenditure	97
Gross income	(97)
Current assets	47
Current liabilities	(47)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

7.4 Shareholder Support to Council Companies

A number of companies within the group are currently dependent on the continued financial support of the Council. The companies are EICC Limited, a subsidiary of CEC Holdings Limited - (the Council owns 100% of the shares in CEC Holdings Limited), Festival City Theatres Trust and Edinburgh Leisure.

7.5 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £148.992m (2014/15 £109.279m re-stated) representing the Council's share of the realisable surpluses or deficits in these companies.

8. Trusts

● International Conference Centre Expenditure Trust

This Trust was set up to hold funds provided by the Council for its development of the Edinburgh International Conference Centre. The balance of unexpended funds held at 31 March 2016 was £4.183m (31 March 2015 £4.153m).

The Expenditure Trust received interest of £0.03m.

£0.479m transferred from the Income Trust noted below was transferred to the Council to defray the development and running costs of the new additional function space. Payments were also made to the EICC Limited for construction services (£0.072m) and for funding support (£0.600m).

● International Conference Centre Income Trust

This Trust was set up to hold funds received from the sale of land at the Edinburgh International Conference Centre site, pending their use for development and other costs of the centre. The balance of unexpended funds held at 31 March 2016 was £2.398m (31 March 2015 £3.551m).

Funds in the Income Trust have reduced by £1.153m during the year, relating to the transfer, noted above, to the International Conference Centre Expenditure Trust and management fees of £0.013m. The Income Trust received interest of £0.011m.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2015/16	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	154,075	23,285	0
Movements in the market value of investment properties	(1,146)	0	0
Amortisation and impairment of intangible assets	1,289	0	0
Capital grants and contributions applied	(63,094)	(7,439)	0
Capital funded from revenue	(215)	0	0
Revenue expenditure funded from capital under statute	38,846	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(70,297)	(27,328)	0
Capital expenditure charged against General Fund and HRA balances	(38,846)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(35,011)	(2,247)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(116,763)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,440)	(488)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	104,720	2,676	0
Employer's pension contributions and direct payments to pensioners payable in the year	(70,594)	(1,693)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,798)	(78)	0
Total Adjustments	12,489	(13,312)	(116,763)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2015/16	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(177,360)
Movements in the market value of investment properties	0	0	1,146
Amortisation of intangible assets	0	0	(1,289)
Capital grants and contributions applied	1,593	0	68,940
Capital funded from revenue	0	0	215
Revenue expenditure funded from capital under statute	0	0	(38,846)
Insertion of items not debited or credited to the CIES	0	0	
Statutory provision for the financing of capital investment	0	0	97,625
Capital expenditure charged against General Fund and HRA balances	0	0	38,846
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,285)	0	3,285
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	37,258
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	116,763
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,928
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(107,396)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	72,287
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,876
Total Adjustments	(1,692)	0	119,278

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2014/15 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	133,556	18,266	0
Movements in the market value of investment properties	(13,889)	0	0
Amortisation of intangible assets	710	0	0
Capital grants and contributions applied	(64,652)	(4,747)	0
Capital funded from revenue	(25)	(5,649)	0
Revenue expenditure funded from capital under statute	32,641	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(70,285)	(23,123)	0
Capital expenditure charged against General Fund and HRA balances	(32,641)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(5,023)	307	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,479)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,434)	(460)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	95,001	1,081	0
Employer's pension contributions and direct payments to pensioners payable in the year	(60,933)	(426)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,397)	(222)	0
Total Adjustments	7,629	(14,973)	(21,479)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2014/15 Comparative Data	Usable Reserves		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) / gain on sale of property, plant and equipment and assets held for sale	0	0	4,716
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,479
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,894
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	61,359
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,619
Total Adjustments	2,355	0	26,468

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 2014/15 which has been restated.

	Balance at 01.04.15 £000	Net Transfers Out 2015/16 £000	Net Transfers In 2015/16 £000	Balance at 31.03.16 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,715)	0	562	(51,153)
Capital grants unapplied account	3,213	(484)	0	2,729
Transport for Edinburgh Limited				
Revenue reserves	48,523	0	29,726	78,249
Total Usable Reserves - Subsidiaries	21	(484)	30,288	29,825
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	2,836	(538)	0	2,298
Edinburgh Leisure				
Earmarked revenue reserve	576	(402)	0	174
Revenue reserves	(2,722)	0	2,766	44
International Conference Centre Trusts				
Income Trust	3,551	(1,153)	0	2,398
Expenditure Trust	4,153	0	30	4,183
Festival City Theatres Trust				
Earmarked capital reserve	1,457	(255)	0	1,202
Revenue reserves	(64)	0	107	43
Lothian Valuation Joint Board*				
Revenue reserves	364	0	95	459
Total Usable Reserves - Associates and Joint Ventures	10,151	(2,348)	2,998	10,801
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	10,172	(2,832)	33,286	40,626

* It was agreed in the 2015/16 financial year that a reserve could be set up for Lothian Valuation Joint Board. This reserve has been included in the accounts as if it was in place from the start of the 2015/16 financial year.

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Re-stated Net Transfers Out 2014/15 £000	Net Transfers In 2014/15 £000	Balance at 31.03.15 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(54,951)		3,236	(51,715)
Capital grants unapplied account	3,632	(419)	0	3,213
Transport for Edinburgh				
Revenue reserves	61,852	(13,329)	0	48,523
Total Usable Reserves - Subsidiaries	10,533	(13,748)	3,236	21
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	1,651	0	1,185	2,836
Edinburgh Leisure				
Earmarked revenue reserve	419	0	157	576
Revenue reserves	(1,697)	(1,025)	0	(2,722)
International Conference Centre Trusts				
Income Trust	4,915	(1,364)	0	3,551
Expenditure Trust	5,890	(3,101)	1,364	4,153
Festival City Theatres Trust				
Earmarked capital reserve	1,606	(149)	0	1,457
Revenue reserves	(125)	0	61	(64)
Lothian Valuation Joint Board				
Revenue reserves	258	0	106	364
Total Usable Reserves - Associates and Joint Ventures	12,917	(5,639)	2,873	10,151
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	23,450	(19,387)	6,109	10,172

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.15 £000	Inter-Fund Transfer 2015/16 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31.03.16 £000
Council's Usable Reserves					
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	1,054	0	(1,054)	2,804	2,804
Balances set aside for specific inv.	13,889	(3,000)	(2,661)	4,337	12,565
Contingency funding, workforce mgmt.	17,901	0	0	174	18,075
Council Priorities Fund	3,365	0	(3,022)	785	1,128
Dilapidations Fund	8,759	3,000	(402)	737	12,094
Energy Efficiency Fund	799	0	0	47	846
Insurance Funds	12,557	0	(250)	1,232	13,539
Licensing Income	1,402	0	(347)	339	1,394
Recycling balances	1,372	0	0	0	1,372
Revenue grants and contributions received in advance of planned expenditure	14,077	0	(3,912)	5,078	15,243
Council Tax Discount Fund	18,636	0	0	2,960	21,596
Spend to Save Fund and similar projects	7,469	0	(4,729)	4,277	7,017
Other earmarked balances	219	0	0	21	240
Strategic Acquisition Fund	3,000	0	(42)	4,500	7,458
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,256)	2,256	0
Total General Fund	117,524	0	(18,675)	29,547	128,396
Housing Revenue Account Balance	0	0	(2,256)	2,256	0
Renewal and Repairs Fund	35,833	0	0	2,361	38,194
Capital Fund	31,721	0	(18,198)	55,270	68,793
Capital Receipts Reserve	0	0	(116,763)	116,763	0
Capital Grants Unapplied Account	4,349	0	(3,285)	1,593	2,657
Total Usable Reserves - Council	189,427	0	(159,177)	207,790	238,040
Total Usable Reserves - Group	199,599	0	(162,009)	241,076	278,666

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	(re-stated) Balance at 01.04.14 £000	Inter-Fund Transfer 2014/15 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	(re-stated) Balance at 31.03.15 £000
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under DSM	1,273	0	(1,273)	1,054	1,054
Balances set aside for specific inv.	12,028	496	(3,938)	5,303	13,889
Contingency funding, workforce mgmt.	22,832	0	(5,676)	745	17,901
Council Priorities Fund	10,895	0	(8,258)	728	3,365
Dilapidations Fund	8,154	0	(85)	690	8,759
Energy Efficiency Fund	983	0	(275)	91	799
Insurance Funds	11,928	0	(1,550)	2,179	12,557
Licensing Income	1,820	0	(447)	29	1,402
Recycling balances	1,464	0	(92)	0	1,372
Revenue grants and contributions received in advance of planned expend.	16,180	(496)	(6,915)	5,308	14,077
Council Tax Discount Fund	16,335	0	0	2,301	18,636
Spend to Save Fund and similar projects	6,196	0	(2,861)	4,134	7,469
Other earmarked balances	197	0	0	22	219
Strategic Acquisition Fund	0	0	0	3,000	3,000
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,964)	2,964	0
Total General Fund	<u>123,310</u>	<u>0</u>	<u>(34,334)</u>	<u>28,548</u>	<u>117,524</u>
Housing Revenue Account Balance	<u>0</u>	<u>0</u>	<u>(2,964)</u>	<u>2,964</u>	<u>0</u>
Renewal and Repairs Fund	<u>22,504</u>	<u>0</u>	<u>0</u>	<u>13,329</u>	<u>35,833</u>
Capital Fund	<u>22,379</u>	<u>0</u>	<u>(2,048)</u>	<u>11,390</u>	<u>31,721</u>
Capital Receipts Reserve	<u>0</u>	<u>0</u>	<u>21,479</u>	<u>(21,479)</u>	<u>0</u>
Capital Grants Unapplied Account	<u>1,994</u>	<u>0</u>	<u>(943)</u>	<u>3,298</u>	<u>4,349</u>
Total Usable Reserves - Council	<u>170,187</u>	<u>0</u>	<u>(18,810)</u>	<u>38,050</u>	<u>189,427</u>
Total Usable Reserves - Group	<u>193,637</u>	<u>0</u>	<u>(38,197)</u>	<u>44,159</u>	<u>199,599</u>

10.2 Devolved School Management

A net credit balance of £2.804m (2014/15 £1.054m) is held within the General Fund in accordance with the Devolved School Management scheme.

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

2015/16	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(18,675)	(2,256)	0	(116,763)
Transfers in	29,547	2,256	2,361	116,763
Total movements in fund	<u>10,872</u>	<u>0</u>	<u>2,361</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	(1,603)	2,256	0	(116,763)
Transfers to other earmarked reserves	12,475	(2,256)	2,361	116,763
Total movements in fund	<u>10,872</u>	<u>0</u>	<u>2,361</u>	<u>0</u>
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(3,285)	(18,198)	(2,832)	(162,009)
Transfers in	1,593	55,270	33,286	241,076
Total movements in fund	<u>(1,692)</u>	<u>37,072</u>	<u>30,454</u>	<u>79,067</u>
Recognised in Comprehensive Income and Expenditure Statement	(1,692)	0	33,392	(84,410)
Transfers to other earmarked reserves	0	37,072	(2,938)	163,477
Total movements in fund	<u>(1,692)</u>	<u>37,072</u>	<u>30,454</u>	<u>79,067</u>
2014/15 Comparative Data (re-stated)	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(34,334)	(2,964)	0	21,479
Transfers in	28,548	2,964	13,329	(21,479)
Total movements in fund	<u>(5,786)</u>	<u>0</u>	<u>13,329</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	2,625	2,964	0	0
Transfers to other earmarked reserves	(8,411)	(2,964)	13,329	0
Total movements in fund	<u>(5,786)</u>	<u>0</u>	<u>13,329</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

2014/15 Comparative Data (re-stated)	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(943)	(2,048)	(19,387)	(38,197)
Transfers in	3,298	11,390	6,109	44,159
Total movements in fund	<u>2,355</u>	<u>9,342</u>	<u>(13,278)</u>	<u>5,962</u>
Recognised in Comprehensive Income and Expenditure Statement	2,355	11,298	(20,954)	(1,712)
Transfers to other earmarked reserves	0	(1,956)	7,676	7,674
Total movements in fund	<u>2,355</u>	<u>9,342</u>	<u>(13,278)</u>	<u>5,962</u>

11. Other Operating Expenditure

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
(Gains) / losses on the disposal of non-current assets	(36,148)	(36,146)	(4,807)	(4,716)
	<u>(36,148)</u>	<u>(36,146)</u>	<u>(4,807)</u>	<u>(4,716)</u>

12. Financing and Investment Income and Expenditure

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	95,552	95,138	94,064	93,657
Interest cost on defined benefit obligation	105,663	92,013	118,313	103,245
Interest receivable and similar income	(8,082)	(7,972)	(10,609)	(10,441)
Interest income on plan assets	(81,732)	(68,568)	(95,508)	(79,991)
Net income in relation to investment properties and changes in their fair value	(2,512)	(2,512)	(14,208)	(14,208)
Net (surplus) / deficit from trading activities	(2,026)	232	(49)	66
	<u>106,863</u>	<u>108,331</u>	<u>92,003</u>	<u>92,328</u>

13. Taxation and Non-Specific Grant Income

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(216,351)	(216,351)	(212,976)	(212,976)
Non-domestic rates	(390,862)	(390,862)	(364,108)	(364,108)
Non-ring fenced government grants	(354,576)	(354,576)	(386,311)	(386,311)
Capital grants and contributions	(70,533)	(70,533)	(69,399)	(69,399)
Taxation expenses	2,613	0	1,678	0
	<u>(1,029,709)</u>	<u>(1,032,322)</u>	<u>(1,031,116)</u>	<u>(1,032,794)</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment

14.1 Depreciation

No depreciation is provided in the year of an asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Council dwellings	50 years
Buildings	50 years (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP Schools	40 years (PPP1 schools) and 35 years (PPP2 schools)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 30 years, to reflect estimated useful life 3 years to 15 years, Group Companies

14.2 Capital Commitments

At 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £78.159m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2015 were £64.920m.

	£000	Expected Completion Date
Portobello New High School	11,825	Oct-16
Boroughmuir New High School	19,173	Oct-16
Kirkliston Primary School extension	1,615	Aug-17
Liberton HS New Gym	1,494	Aug-16
Rising school rolls 4 School extensions	3,141	Aug-16
Rising school rolls 3 School extensions retention	80	Aug-16
Free School Meals kitchen retention	2,551	Aug-16
Kitchen and Bathrooms	3,889	1-2 years
Water of Leith Phase 2 (Flood defence works)	13,154	3 years
New Autism Day and Respite Centre retention	70	Apr-15
Royston Care Home	3,978	Sep-16
Calton Hill Restoration project	200	1 year
ICT capital investment / ICT transformational change investment	15,508	1 year
	<u>76,678</u>	

In November 2015, Transport for Edinburgh entered into an agreement to purchase 30 Open Top Tour vehicles and a V6e commentary system for £6,100,000. These are expected to be delivered during mid 2016.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2015	1,047,151	1,841,517	300,619	1,350,760
Additions	31,257	34,385	20,673	25,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,931)	(24,783)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(68,381)	(8,421)	0
Derecognition - other	0	0	(455)	0
Assets reclassified (to) / from held for sale	(52)	(20,069)	0	0
Other movements in cost or valuation	0	4,867	0	0
At 31 March 2016	<u>1,066,016</u>	<u>1,724,709</u>	<u>312,416</u>	<u>1,376,084</u>
Accumulated Depreciation and Impairment				
At 1 April 2015	(17,593)	(109,400)	(122,492)	(438,264)
Depreciation charge	(18,457)	(47,356)	(19,965)	(64,900)
Depreciation charge written out to Revaluation Reserve	211	26,224	0	0
Depreciation written out to the Surplus on the Provision of Services	216	11,667	0	0
Derecognition - disposals	228	6,698	7,377	0
Derecognition - other	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(49)	0
Other movements in cost or valuation	2	659	0	0
At 31 March 2016	<u>(35,393)</u>	<u>(111,508)</u>	<u>(134,674)</u>	<u>(503,164)</u>
Net book value				
At 31 March 2016	<u>1,030,623</u>	<u>1,613,201</u>	<u>177,742</u>	<u>872,920</u>
At 31 March 2015	<u>1,029,558</u>	<u>1,732,117</u>	<u>178,127</u>	<u>912,496</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2015/16

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2015	12,192	12,634	50,330	4,615,203
Additions	1,328	137	44,485	157,589
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	(24,161)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	(47,064)
Derecognition - disposals	0	(2,917)	0	(86,589)
Derecognition - other	0	0	0	(455)
Assets reclassified (to) / from held for sale	0	(10,105)	0	(30,226)
Other movements in cost or valuation	0	260	(5,127)	0
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>4,584,297</u>
Accumulated Depreciation and Impairment				
At 1 April 2015	0	(10)	0	(687,759)
Depreciation charge	0	(41)	0	(150,719)
Depreciation charge written out to Revaluation Reserve	0	0	0	26,435
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,883
Derecognition - disposals	0	16	0	14,319
Derecognition - other	0	0	0	455
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(49)
Other movements in cost or valuation	0	35	0	696
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u>(784,739)</u>
Net book value				
At 31 March 2016	<u><u>12,964</u></u>	<u><u>2,420</u></u>	<u><u>89,688</u></u>	<u><u>3,799,558</u></u>
At 31 March 2015	<u><u>12,192</u></u>	<u><u>12,624</u></u>	<u><u>50,330</u></u>	<u><u>3,927,444</u></u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts 2014/15 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,854,171	215,260	1,316,428
Additions	33,769	31,861	29,195	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,241)	(2,878)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	<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><u>1,029,558</u></u>	<u><u>1,732,117</u></u>	<u><u>178,127</u></u>	<u><u>912,496</u></u>
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>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts 2014/15 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2014	11,347	17,243	79,740	4,511,749
Additions	1,164	89	34,694	165,104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	(10,826)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	(18,834)
Derecognition - disposals	0	(850)	0	(16,494)
Derecognition - other	0	0	0	(8,632)
Assets reclassified (to) / from held for sale	0	(1,048)	0	(6,864)
Other movements in cost or valuation	0	0	(64,104)	0
At 31 March 2015	<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

14.5 Movements on Balances - City of Edinburgh Council Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2015	1,047,151	1,783,676	167,200	1,344,090
Additions	31,257	34,385	12,964	25,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,931)	(30,869)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(65,455)	(193)	0
Derecognition - other	0	0	(455)	0
Assets reclassified (to) / from held for sale	(52)	(20,069)	0	0
Other movements in cost or valuation	0	4,867	0	0
At 31 March 2016	<u>1,066,016</u>	<u>1,663,708</u>	<u>179,516</u>	<u>1,369,414</u>
Accumulated Depreciation and Impairment				
At 1 April 2015	(17,593)	(79,214)	(63,173)	(432,929)
Depreciation charge	(18,457)	(47,091)	(10,788)	(64,611)
Depreciation charge written out to Revaluation Reserve	211	26,847	0	0
Depreciation written out to the Surplus on the Provision of Services	216	11,667	0	0
Derecognition - disposals	228	6,547	0	0
Derecognition - other	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(49)	0
Other movements in cost or valuation	2	659	0	0
At 31 March 2016	<u>(35,393)</u>	<u>(80,585)</u>	<u>(73,555)</u>	<u>(497,540)</u>
Net book value				
At 31 March 2016	<u>1,030,623</u>	<u>1,583,123</u>	<u>105,961</u>	<u>871,874</u>
At 31 March 2015	<u>1,029,558</u>	<u>1,704,462</u>	<u>104,027</u>	<u>911,161</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2015/16

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
At 1 April 2015	12,192	12,634	50,330	4,417,273	572,541
Additions	1,328	137	44,485	149,880	9,432
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	(30,247)	3,062
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	(47,064)	(1,254)
Derecognition - disposals	0	(2,917)	0	(75,435)	0
Derecognition - other	0	0	0	(455)	0
Assets reclassified (to) / from held for sale	0	(10,105)	0	(30,226)	0
Other movements in cost or valuation	0	260	(5,127)	0	0
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>4,383,726</u>	<u>583,781</u>
Accumulated Depreciation and Impairment					
At 1 April 2015	0	(10)	0	(592,919)	(15,231)
Depreciation charge	0	(41)	0	(140,988)	(13,085)
Depreciation charge written out to Revaluation Reserve	0	0	0	27,058	5,498
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,883	566
Derecognition - disposals	0	16	0	6,791	0
Derecognition - other	0	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(49)	0
Other movements in cost or valuation	0	35	0	696	0
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u>(687,073)</u>	<u>(22,252)</u>
Net book value					
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>3,696,653</u>	<u>561,529</u>
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>

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 2014/15 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2014	1,017,560	1,796,454	94,409	1,309,758
Additions	33,769	31,623	13,955	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,127)	(206)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	<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

14.6 Movements on Balances - City of Edinburgh Council 2014/15 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2014	11,347	17,243	79,740	4,326,511	558,965
Additions	1,164	89	34,694	149,626	23,151
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	(10,826)	(9,629)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	(18,834)	0
Derecognition - disposals	0	(850)	0	(13,708)	0
Derecognition - other	0	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(1,048)	0	(6,864)	0
Other movements in cost or valuation	0	0	(64,104)	0	54
At 31 March 2015	12,192	12,634	50,330	4,417,273	572,541
Accumulated Depreciation and Impairment					
At 1 April 2014	0	(93)	0	(489,641)	(12,055)
Depreciation charge	0	(66)	0	(136,981)	(12,887)
Depreciation charge written out to Revaluation Reserve	0	0	0	20,902	9,711
Depreciation written out to the Surplus on the Provision of Services	0	114	0	5,948	0
Derecognition - disposals	0	0	0	2,235	0
Derecognition - other	0	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(1,264)	0
Other movements in cost or valuation	0	35	0	89	0
At 31 March 2015	0	(10)	0	(592,919)	(15,231)
Net book value					
At 31 March 2015	12,192	12,624	50,330	3,824,354	557,310
At 31 March 2014	11,347	17,150	79,740	3,836,870	546,910

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings'.

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. Where the Council has a planned replacement programme asset life is reviewed accordingly.
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.
- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	55,506	49,545	110,867	1,369,414
Valued at fair value as at:				
31 March 2016	1,061	308,324	0	0
31 March 2015	1,425	272,141	67,674	0
31 March 2014	1,007,681	435,188	125	0
31 March 2013	343	470,428	850	0
31 March 2012	0	128,082	0	0
Total cost or valuation	1,066,016	1,663,708	179,516	1,369,414

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	12,964	0	89,688	1,687,984
Valued at fair value as at:				
31 March 2016	0	2,420	0	311,805
31 March 2015	0	0	0	341,240
31 March 2014	0	0	0	1,442,994
31 March 2013	0	0	0	471,621
31 March 2012	0	0	0	128,082
Total cost or valuation	12,964	2,420	89,688	4,383,726

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.8 Surplus Assets and Investment Properties - Fair Value Disclosure

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2016
	£000	£000	£000	£000
Surplus assets	0	2,420	0	2,420
Investment properties - advertising hoardings	0	17,250	0	17,250
Total cost or valuation	0	19,670	0	19,670

- There were no transfers between levels during the year.
- The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in similar locations. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's surplus assets, the assumption has been made that these would be disposed for highest and best use consideration.
- The fair value for investment properties has been based on the market approach using current rent receivable with a capitalisation rate applied. The rate reflects the return that an investor would expect from the capital employed. There is evidence of lettings from the Council's property information systems which have been used to determine valuation parameters and the level of observable inputs is significant, leading to the investment properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

15. Investment Properties

15.1 Income and Expenses on Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(1,401)	(1,401)	(387)	(387)
Direct operating expenses arising from investment property	35	35	68	68
	<u>(1,366)</u>	<u>(1,366)</u>	<u>(319)</u>	<u>(319)</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.

NOTES TO THE FINANCIAL STATEMENTS

15. Investment Properties - continued

15.2 Movement in Fair Value

The following table summarises the movement in the fair value of investment properties over the year.

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	16,304	16,104	2,415	2,215
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	1,146	1,146	13,889	13,889
Transfers				
- (to) / from Inventories	0	0	0	0
- (to) / from Property, Plant and Equipment	0	0	0	0
- (to) / from Assets Held for Sale	0	0	0	0
Value at 31 March	<u>17,450</u>	<u>17,250</u>	<u>16,304</u>	<u>16,104</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 £1.289m in 2015/16 (2014/15 £0.710m) was charged to the following services.

	2015/16	2014/15
	£000	£000
Education services	45	56
Cultural and related services	0	0
Social Work	23	12
Services to the Public	1,221	642
Total amortisation	<u>1,289</u>	<u>710</u>

The movement on intangible asset balances during the year is as follows:

	2015/16		2014/15	
	Group	Council	Group	Council
	£000	£000	£000	£000
Balance at 1 April				
Gross carrying amount	8,557	8,557	6,185	6,185
Less: Accumulated amortisation	<u>(3,603)</u>	<u>(3,603)</u>	<u>(2,893)</u>	<u>(2,893)</u>
Net carrying amount at 1 April	4,954	4,954	3,292	3,292
Additions during the year				
- Purchased intangible assets	0	0	2,372	2,372
Impairment during the year	0	0	0	0
Amortisation for the period	<u>(1,289)</u>	<u>(1,289)</u>	<u>(710)</u>	<u>(710)</u>
Net carrying amount at 31 March	<u>3,665</u>	<u>3,665</u>	<u>4,954</u>	<u>4,954</u>
Comprising:				
Gross carrying amounts	8,557	8,557	8,557	8,557
Accumulated amortisation	<u>(4,892)</u>	<u>(4,892)</u>	<u>(3,603)</u>	<u>(3,603)</u>
Net carrying amount at 31 March	<u>3,665</u>	<u>3,665</u>	<u>4,954</u>	<u>4,954</u>

The following items of capitalised software are individually material within intangible assets.

	Carrying Amount		Remaining
	2015/16	2014/15	Amortisation
	£000	£000	Period
Master data management software	666	887	3 years
Web-based solution software, including web forms	715	953	3 years
Integration engine software	608	846	3 years
Customer relationship management solutions	1,266	1,687	3 years
Security management software	213	285	3 years

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets

17.1 Reconciliation of the Carrying Value of Heritage Assets Movements in 2015/16

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2015	613	2,047	6,797
Additions	40	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	1	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2015	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2015	<u>613</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 2015	1,975	19,643	31,075
Additions	0	0	40
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	1
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>
Accumulated Impairment			
At 1 April 2015	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets - continued

17.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2014/15 Comparative Data

	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 Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(7)	0	0
At 31 March 2015	<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 Surplus on the Provision of Services	300	347	647
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(7)
At 31 March 2015	<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

17.2 Details of Heritage Assets

- Monuments and Statues are valued on an historic basis and valuations are carried out under the direction of the Council's Estate Manager (Projects).
- Civic Regalia and artefacts include items such as the Lord Provost's Badge and Chain of Office and the Rosebery Jewel. The value of these assets is based on an insurance purposes valuation carried out in 1998.
- Archival collections include historical records which relate to the history of Edinburgh and its surrounding areas. The value of these assets is based on a current insurance purposes valuation based on restoration costs only. This valuation has not changed since 2008/09.
- Libraries special collections include items such as rare book collections and pictures in Calotype. The value of these assets is based on an insurance purposes valuation carried out in 2007 with a minor proportions valuation being updated in 2014.
- Museums and Gallery collections include various collections held at a number of museums across Edinburgh. They include items held within the Social History, Applied Art, Writers Museum, Childhood, City Art Centre and Picture Loan Scheme. The value of these assets is based on insurance purposes valuations carried out in 2003 along with a minor proportions valuation being updated in 2014. A small minority of the assets are based on insurance purposes valuations carried out in 1996.
- The valuations for heritage assets have all been carried out internally and although they are from earlier periods, they are considered the most appropriate and relevant. Carrying out valuations for the majority of collections held is very costly and time consuming so it is not practicable to obtain recent valuations at a cost which is commensurate with the benefits to users of the financial statements. The carrying amounts of these heritage assets will be reviewed with sufficient regularity in the future to ensure they are brought up to date and remain appropriate.
- It has not been practical or possible to split out all heritage assets belonging to common good, charities or trusts. Therefore, the Council's balance sheet may hold this element of heritage assets that belong to other entities.
- The Council has three private vehicle registration plates which meet the definition of intangible heritage assets. These have not been recognised on the balance sheet due to lack of information on cost or current value. They are limited registration numbers that rarely become available for sale and therefore no relevant or appropriate current value can be placed on these.

18. Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long-Term		Current	
	31.03.16	31.03.15	31.03.16	31.03.15
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	128,378	99,286
Available for sale	0	0	64,311	0
Unquoted equity investment at cost	23,474	23,510	0	0
Total investments	23,474	23,510	192,689	99,286
Debtors				
Loans and receivables	5,538	4,374	29,978	37,522
Total debtors	5,538	4,374	29,978	37,522
Borrowings				
Financial liabilities (principal amount)	(1,299,901)	(1,351,533)	(69,843)	(64,341)
Accrued interest	0	0	(17,513)	(17,856)
Cost of amortisation	(8,988)	(9,074)	35	13
Total borrowings	(1,308,889)	(1,360,607)	(87,321)	(82,184)

The Council's policy of investing in Treasury Bills with the intention of holding to maturity remains unchanged, despite the reclassification of Financial Instruments per Note 18.4.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.1 Categories of Financial Instruments - continued

	Long-Term	
	31.03.16	31.03.15
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	(215,787)	(226,589)
Deferred liability	(350)	(350)
Total other long-term liabilities	<u>(216,137)</u>	<u>(226,939)</u>

Further detail on the finance lease and PPP liabilities can be seen in notes 40 and 41.

	Current	
	31.03.16	31.03.15
	£000	£000
Creditors		
Financial liabilities at amortised cost	(15,277)	(18,597)
PPP and finance leases due within 1 year	(10,813)	(10,736)
Total creditors	<u>(26,090)</u>	<u>(29,333)</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	Available for Sale £000	Unquoted Equity at Amortised Cost £000	Total £000
Interest expense	75,596	0	0	0	75,596
Total expense in Surplus on the Provision of Services	75,596	0	0	0	75,596
Interest income	0	(687)	(326)	0	(1,013)
Dividend Income	0	0	0	(4,925)	(4,925)
Total Interest and investment income	0	(687)	(326)	(4,925)	(5,938)
Net gain for the year	<u>75,596</u>	<u>(687)</u>	<u>(326)</u>	<u>(4,925)</u>	<u>69,658</u>

In addition to the above interest expense, £1.849m (2014/15 £1.877m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.305m (2014/15 £0.279m) of loans fund expenses charged to the Council.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Loans, including PWLB loans, borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans has been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of soft loan assets has been calculated using the cash flows implied by the appropriate market interest rate which has been deemed to be the appropriate PWLB rate plus a credit spread of between 2% and 5% depending on the party to whom the advance has been made.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values are calculated as follows:

		31.03.16		31.03.15	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,086,887)	(1,365,967)	(1,128,116)	(1,562,608)
Salix	2	(2,004)	(2,042)	(1,813)	(1,813)
Market debt	2	(289,443)	(497,978)	(293,496)	(508,695)
Temporary borrowing	n/a	(17,877)	(17,877)	(16,469)	(16,469)
Other bodies	n/a	0	0	(2,876)	(2,876)
Other long-term liabilities	n/a	(350)	(350)	(350)	(350)
Trade creditors	n/a	(15,277)	(15,277)	(18,597)	(18,597)
Finance Leases	3	(226,600)	(311,832)	(237,325)	(237,325)
Financial liabilities		<u>(1,638,438)</u>	<u>(2,211,323)</u>	<u>(1,699,042)</u>	<u>(2,348,733)</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. The relative reduction in fair value of the PWLB loans is due primarily to the requirement of IFRS13 to estimate the fair value of a financial liability using the price that would be paid to transfer it to another participant of equal credit standing rather than the PWLB Repayment Rate that had been used previously.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities - continued

	Fair Value Level	31.03.16		31.03.15	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value					
Treasury Bills	1	38,455	38,455	2,490	2,490
Money Market Funds	1	25,856	25,856	28,287	28,287
		<u>64,311</u>	<u>64,311</u>	<u>30,777</u>	<u>30,777</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	41,028	41,028	60,633	60,633
Building Society Deposits	2	0	0	2,491	2,491
Local Authority Loans	2	87,350	87,357	0	0
Certificate of Deposit	2	0	0	2,509	2,509
Other Bodies	n/a	0	0	2,876	2,876
Unquoted Equity investment at cost	n/a	23,474	23,474	23,511	23,511
		<u>151,852</u>	<u>151,859</u>	<u>92,020</u>	<u>92,020</u>
Debtors					
Loan Stock	n/a	4,626	4,626	3,500	3,500
Soft Loans	3	912	912	874	874
Other trade debtors	n/a	29,978	29,978	37,522	37,522
		<u>35,516</u>	<u>35,516</u>	<u>41,896</u>	<u>41,896</u>
Total Investments		<u>251,679</u>	<u>251,686</u>	<u>164,693</u>	<u>164,693</u>

18.4 Available for Sale Financial Assets

As part of the introduction of IFRS13 in the 2015/16 financial year, a review of the classification of Financial Instruments has been undertaken and as a result, investment in Treasury Bills and Money Market Funds have been reclassified as Available for Sale per the table below.

	Fair Value Level	31.03.16		31.03.15	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value					
Treasury Bills	1	38,455	38,455	2,490	2,490
Money Market Funds	1	25,856	25,856	28,287	28,287
		<u>64,311</u>	<u>64,311</u>	<u>30,777</u>	<u>30,777</u>

The unrealised gain on the available for sale financial assets (Treasury Bills) was £1,857, which has been transferred to the Available for Sale Financial Assets Reserve in 2015/16 per Note 26.5.

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories Movements in 2015/16 and 2014/15

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Fuel Stocks				
Balance at 1 April	500	114	591	165
Purchases	22,162	2,162	26,043	2,771
Recognised as an expense in the year	(22,271)	(2,161)	(26,134)	(2,822)
Balance at 31 March	391	115	500	114
Gift Stock and Community Equipment	£000	£000	£000	£000
Balance at 1 April	1,165	1,165	831	831
Purchases	2,611	2,611	2,906	2,906
Held by a third party	34	34	33	33
Recognised as an expense in the year	(2,387)	(2,387)	(2,605)	(2,605)
Balance at 31 March	1,423	1,423	1,165	1,165
Construction and Other Raw Materials	£000	£000	£000	£000
Balance at 1 April	1,391	1,155	1,424	1,242
Purchases	17,324	3,413	23,433	8,081
Recognised as an expense in the year	(17,542)	(3,733)	(23,466)	(8,168)
Balance at 31 March	1,173	835	1,391	1,155
Items held for sale	£000	£000	£000	£000
Balance at 1 April	91	91	89	89
Purchases	376	376	329	329
Recognised as an expense in the year	(358)	(358)	(326)	(326)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	108	108	91	91
Work in Progress	£000	£000	£000	£000
Balance at 1 April	8,686	0	14,081	6
Purchases	5,662	0	0	0
Recognised as an expense in the year	0	0	(5,395)	(6)
Balance at 31 March	14,348	0	8,686	0
Clothing and Equipment	£000	£000	£000	£000
Balance at 1 April	90	90	79	79
Purchases	240	240	273	273
Recognised as an expense in the year	(235)	(235)	(262)	(262)
Balance at 31 March	95	95	90	90
Catering Stocks	£000	£000	£000	£000
Balance at 1 April	134	134	125	125
Purchases	2,847	2,847	2,630	2,630
Recognised as an expense in the year	(2,858)	(2,858)	(2,621)	(2,621)
Balance at 31 March	123	123	134	134

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories - continued	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	12,057	2,749	17,220	2,537
Purchases	51,222	11,649	55,614	16,990
Held by a third party	34	34	33	33
Recognised as an expense in the year	(45,651)	(11,732)	(60,809)	(16,810)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	<u>17,661</u>	<u>2,699</u>	<u>12,057</u>	<u>2,749</u>

20. Debtors	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
20.1 Long-term Debtors				
Central government bodies	25,016	25,016	34,865	34,865
Other local authorities	0	0	1,142	1,142
NHS bodies	0	0	97	97
Other entities and individuals	<u>182,042</u>	<u>186,668</u>	<u>192,497</u>	<u>195,997</u>
Total long-term debtors before provision for impairment	207,058	211,684	228,601	232,101
Less: Provision for impairment	<u>(112,410)</u>	<u>(112,410)</u>	<u>(113,562)</u>	<u>(113,562)</u>
Total net long-term debtors	<u>94,648</u>	<u>99,274</u>	<u>115,039</u>	<u>118,539</u>

20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Capital advances				
Police Scotland	16,151	16,151	18,262	18,262
Fire Scotland	2,052	2,052	3,192	3,192
Council Tax	90,417	90,417	91,519	91,519
Non-Domestic Rates	1,700	1,700	1,757	1,757
CEC Holdings	0	4,626	0	3,500
NHT Loans (see note 34.3)	47,162	47,162	45,665	45,665
House rents	5,252	5,252	3,793	3,793
Car loan scheme	131	131	146	146
Shared equity scheme (see note 34.2)	485	485	484	484
Scheme of assistance (see note 34.2)	901	901	810	810
Other debtors	<u>42,807</u>	<u>42,807</u>	<u>62,973</u>	<u>62,973</u>
	<u>207,058</u>	<u>211,684</u>	<u>228,601</u>	<u>232,101</u>

Long-term debtors include £16.151m (2014/15 £18.262m) and £2.052m (2014/15 £3.192m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors - continued

20.3 Current Debtors

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	25,971	23,364	30,932	28,645
Other local authorities	1,473	1,078	3,682	2,836
NHS bodies	1,642	1,641	1,645	1,645
Public corporations and trading funds	33	33	86	86
Other entities and individuals	163,144	155,962	137,690	127,634
Total current debtors before provision for impairment	192,263	182,078	174,035	160,846
Less: Provision for impairment	(95,478)	(95,478)	(90,665)	(90,665)
Total net current debtors	96,785	86,600	83,370	70,181

20.4 Provision for Impairment

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council tax	(87,765)	(87,765)	(87,720)	(87,720)
Non-Domestic rates	(1,357)	(1,357)	(1,362)	(1,362)
Sundry debtors	(23,288)	(23,288)	(24,480)	(24,480)
Total long-term provision for impairment	(112,410)	(112,410)	(113,562)	(113,562)
Current provision for impairment				
Council tax	(84,367)	(84,367)	(80,090)	(80,090)
Non-Domestic rates	(60)	(60)	(190)	(190)
Sundry debtors	(11,051)	(11,051)	(10,385)	(10,385)
Total current provision for impairment	(95,478)	(95,478)	(90,665)	(90,665)

21. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within two months of the balance sheet are deemed to be cash and cash equivalents.

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Cash held	385	385	385	385
Bank current accounts	2,972	(17,749)	(4,167)	(17,723)
Short-term deposits:				
With banks or building societies	41,028	41,028	65,007	65,007
With other local authorities	74,327	74,327	0	0
With money market fund	0	0	29,131	29,131
With treasury bills	0	0	2,565	2,565
Other	0	0	2,583	2,583
	118,712	97,991	95,504	81,948

Treasury bills and money market funds are no longer included in short-term deposits as these are classed as Available for Sale financial assets following reclassification under IFRS 13.

NOTES TO THE FINANCIAL STATEMENTS

22. Assets Held for Sale

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
22.1 Non-Current Assets				
Balance at 1 April	21,179	21,179	17,379	17,379
Additions	174	174	95	95
Revaluation gains/(losses) recognised in the revaluation reserve	893	893	8,200	8,200
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(537)	(537)
Assets reclassified as held for sale: Property, Plant and Equipment	29,528	29,528	5,585	5,585
Assets sold	(2,517)	(2,517)	(2,697)	(2,697)
Transfers from non-current to current	(5,511)	(5,511)	(6,846)	(6,846)
Balance at 31 March	<u>43,746</u>	<u>43,746</u>	<u>21,179</u>	<u>21,179</u>

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
22.2 Current Assets				
Balance at 1 April	8,503	8,503	2,889	2,889
Additions	49	49	22	22
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	149	149
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	3	3	1,190	1,190
Assets sold	(13,383)	(13,383)	(2,593)	(2,593)
Transfers from non-current to current	5,511	5,511	6,846	6,846
Balance at 31 March	<u>683</u>	<u>683</u>	<u>8,503</u>	<u>8,503</u>

23. Creditors

	2015/16		re-stated 2014/15	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(25,979)	(21,823)	(31,804)	(28,514)
Other local authorities	(8,278)	(7,136)	(15,305)	(14,296)
NHS bodies	(639)	(639)	(660)	(660)
Public corporations and trading funds	(11,500)	(11,500)	(2,426)	(2,426)
Other entities and individuals	(128,406)	(106,910)	(129,912)	(105,550)
	<u>(174,802)</u>	<u>(148,008)</u>	<u>(180,107)</u>	<u>(151,446)</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £13.004m (2014/15 £19.770m).

Of this amount, £11.532m (2014/15 £17.994m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below, based on the Council's assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2015	(3,629)	(2,644)	(1,512)
Additional provisions made during the year	(726)	0	(204)
Amounts used during the year	1,443	1,450	0
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	626	0
Balance at 31 March 2016	<u>(2,912)</u>	<u>(568)</u>	<u>(1,716)</u>
	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2015	(170)	(177)	(9,862)
Additional provisions made during the year	0	(501)	(1,833)
Amounts used during the year	0	207	5,480
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	0	520
Balance at 31 March 2016	<u>(170)</u>	<u>(471)</u>	<u>(5,695)</u>
	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2015	(17,994)	(1,776)	(19,770)
Additional provisions made during the year	(3,264)	(746)	(4,010)
Amounts used during the year	8,580	1,050	9,630
Transferred from other long-term liabilities	0	0	0
Unused amounts reversed during the year	1,146	0	1,146
Balance at 31 March 2016	<u>(11,532)</u>	<u>(1,472)</u>	<u>(13,004)</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 15 to 17) and Note 10.

26. Unusable Reserves

26.1 Summary of Unusable Reserves

	Re-stated Balance as at:	
	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	856,303	905,886
Capital Adjustment Account	1,376,328	1,340,067
Financial Instruments Adjustment Account	(47,214)	(49,159)
Available for Sale Financial Assets Reserve	2	0
Pensions Reserve	(438,940)	(726,969)
Employee Statutory Adjustment Account	(14,862)	(20,738)
Total Council Unusable Reserves	1,731,617	1,449,087
Subsidiaries, Associates and Joint Ventures	108,366	99,107
Total Group Unusable Reserves	<u>1,839,983</u>	<u>1,548,194</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.

	2015/16 £000	re-stated 2014/15 £000
Balance at 1 April	n/a	918,790
Prior year re-statement		
Long-term debtor related to construction of asset	n/a	(5,712)
Balance at 1 April	<u>905,886</u>	<u>913,078</u>
Upward revaluation of assets	49,068	49,478
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(51,362)	(30,408)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	(2,294)	19,070
Difference between fair value depreciation and historical cost depreciation	(18,860)	(19,321)
Accumulated gains on assets sold	<u>(28,429)</u>	<u>(6,941)</u>
Amount written off to the capital adjustment account	(47,289)	(26,262)
Balance at 31 March	<u>856,303</u>	<u>905,886</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.

	2015/16	re-stated
	£000	2014/15
		£000
Balance at 1 April	n/a	1,306,580
Prior year re-statement		
Scheme of assistance / shared equity scheme	n/a	1,246
Creditor related to construction of asset	n/a	(203)
Balance at 1 April	<u>1,340,067</u>	<u>1,307,623</u>
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(138,284)	(135,488)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(36,323)	(13,577)
Amortisation of intangible assets	(1,289)	(710)
Capital funded from revenue	215	5,674
Revenue exp. funded from capital under statute	(38,846)	(32,641)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(36,146)	4,716
	<u>(250,673)</u>	<u>(172,026)</u>
Adjusting amounts written out of the revaluation reserve	47,289	26,262
Net written out amount of the costs of non-current assets consumed in the year	(203,384)	(145,764)
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	120,690	21,479
Capital grants and contributions credited to the CIES that have been applied to capital financing	68,940	66,101
Application of grants from the capital grants unapplied account / capital fund	3,285	943
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	101,473	90,653
Capital expenditure charged against the General Fund and HRA balances	38,846	32,641
	<u>333,234</u>	<u>211,817</u>
Movements in the market value of investment properties credited to the CIES	1,146	13,889
Other unrealised losses debited to the CIES	(94,735)	(47,498)
Balance at 31 March	<u><u>1,376,328</u></u>	<u><u>1,340,067</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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(49,159)	(51,049)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,849	1,877
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	79	18
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,928	1,895
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	17	(5)
Balance at 31 March	<u>(47,214)</u>	<u>(49,159)</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 Available for Sale Financial Assets Reserve

The available for sale financial assets reserve provides a balancing mechanism for gains and losses arising on movements in fair value of financial assets (such as Treasury Bills and Money Market Funds).

	2015/16	2014/15
	£000	£000
Balance at 1 April	0	0
Unrealised gains / (losses) on revaluation of assets	2	0
Balance at 31 March	<u>2</u>	<u>0</u>

26.6 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements, however, require benefits to be financed as the Council makes its contributions to Lothian Pension Fund or pays any pensions for which it is directly responsible.

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.6 Pensions Reserve - continued

The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits require to be paid.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(726,969)	(535,498)
Actuarial gains or losses on pension assets and liabilities	323,138	(156,748)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(107,396)	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	72,287	61,359
	<hr/>	<hr/>
Balance at 31 March	<u>(438,940)</u>	<u>(726,969)</u>

26.7 Employee Statutory Adjustment Account

The employee statutory adjustment account provides a balancing mechanism arising from the different arrangements that would otherwise impact on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year (annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is mitigated by transfers to or from this account.

The amount accrued at the end of the 2015/16 is £5.875m lower than the previous year. This is mainly attributable to the timing of the Easter break and resulting impact on teachers' accrued leave and policy changes to the amount of unused leave that can be carried forward from year to year.

		2015/16	2014/15
		£000	£000
Balance at 1 April		(20,738)	(26,357)
Settlement or cancellation of accrual made at the end of the preceding year	20,738	26,357	
Amount accrued at the end of the current year	<u>(14,862)</u>	<u>(20,738)</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		5,876	5,619
		<hr/>	<hr/>
Balance at 31 March		<u>(14,862)</u>	<u>(20,738)</u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.8 Unusable Reserves - Group Members

	Balance as at:	
	31 March	31 March
	2016	2015
	£000	£000
Subsidiaries		
CEC Holdings Limited		
Capital adjustment account	64,466	64,465
Capital contribution	10,131	12,267
Transport for Edinburgh		
Revaluation reserve	11,309	6,337
Non Controlling Interest	8,527	5,598
Other Unusable Reserves	(4,514)	(4,457)
	<u>89,919</u>	<u>84,210</u>
Total Unusable Reserves - Subsidiaries		
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(22)
Revaluation reserve	21,994	21,860
Lothian Valuation Joint Board		
Capital adjustment account	352	385
Employee statutory adjustment account	(57)	(59)
Pension reserve	(3,820)	(7,267)
	<u>18,447</u>	<u>14,897</u>
Total Unusable Reserves - Associates and Joint Ventures		
	<u>108,366</u>	<u>99,107</u>
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures		

27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16		2014/15	
	Group	Council	Group	Council
	£000	£000	£000	£000
Interest received	(2,136)	(1,924)	(7,978)	(7,748)
Interest paid	97,540	97,072	95,936	95,470
Investment income received	<u>(4,925)</u>	<u>(4,925)</u>	<u>(3,000)</u>	<u>(3,000)</u>
Net cash flows from interest and investment income	<u>90,479</u>	<u>90,223</u>	<u>84,958</u>	<u>84,722</u>

NOTES TO THE FINANCIAL STATEMENTS

28. Cash Flow Statement - Investing Activities

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	142,105	134,408	157,496	142,282
Other payments for investing activities	44,348	43,854	60,064	51,133
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(121,627)	(118,175)	(16,766)	(16,499)
Net proceeds from short- and long-term investments	77,377	77,423	(4,410)	(4,410)
Other receipts from investing activities	<u>(11,395)</u>	<u>(11,395)</u>	<u>(13,282)</u>	<u>(13,282)</u>
Net cash flows from investing activities	<u>130,808</u>	<u>126,115</u>	<u>183,102</u>	<u>159,224</u>

29. Cash Flow Statement - Financing Activities

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(2,548)	(1,757)	(48,189)	(47,342)
Other payments for / (receipts) from financing activities	(7,797)	(7,797)	1,263	1,263
Cash payments for the reduction of the outstanding liabilities relating to finance leases	16,113	10,725	12,317	9,695
Repayments of short- and long-term borrowing	<u>45,010</u>	<u>45,010</u>	<u>30,454</u>	<u>30,454</u>
Net cash flows from investing activities	<u>50,778</u>	<u>46,181</u>	<u>(4,155)</u>	<u>(5,930)</u>

30. Analysis of Change in Financing Activities

	Balance 01.04.15 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.16 £000
Group				
Debt due within 1 Year	(77,787)	(9,868)	334	(87,321)
Debt due after 1 Year	<u>(1,351,473)</u>	<u>53,129</u>	<u>96</u>	<u>(1,298,248)</u>
Total debt due	(1,429,260)	43,261	430	(1,385,569)
Other liquid resources	92,700	(5,670)	(576)	86,454
Finance leases	<u>(240,460)</u>	<u>13,187</u>	<u>0</u>	<u>(227,273)</u>
Total	<u>(1,577,020)</u>	<u>50,778</u>	<u>(146)</u>	<u>(1,526,388)</u>
Council				
Debt due within 1 Year	(79,287)	(8,368)	334	(87,321)
Debt due after 1 Year	<u>(1,360,607)</u>	<u>51,622</u>	<u>96</u>	<u>(1,308,889)</u>
Total debt due	(1,439,894)	43,254	430	(1,396,210)
Other liquid resources	101,351	(7,797)	1,126	94,680
Finance leases	<u>(237,324)</u>	<u>10,724</u>	<u>0</u>	<u>(226,600)</u>
Total	<u>(1,575,867)</u>	<u>46,181</u>	<u>1,556</u>	<u>(1,528,130)</u>

NOTES TO THE FINANCIAL STATEMENTS

31. Reconciliation of Movements in Cash Receipts and Repayments of Short- and Long-Term Borrowing

	Balance 01.04.15 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.16 £000
Group				
Financing				
Temporary loans	(16,469)	(1,405)	(3)	(17,877)
PWLB	(1,128,116)	40,841	388	(1,086,887)
Market loans	(293,496)	4,000	53	(289,443)
Other Borrowing	8,821	(175)	(8)	8,638
Net financing	(1,429,260)	43,261	430	(1,385,569)
Council	£000	£000	£000	£000
Financing				
Temporary loans	(16,469)	(1,405)	(3)	(17,877)
PWLB	(1,128,116)	40,841	388	(1,086,887)
Market loans	(293,496)	4,000	53	(289,443)
Other Borrowing	(1,813)	(182)	(8)	(2,003)
Net financing	(1,439,894)	43,254	430	(1,396,210)

Accrued interest is included in the carrying value of investments and loans.

32. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service shown in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocations are taken by the Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made to departments in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of balances on the revaluation reserves are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on the payment of employer's contributions to Lothian Pension Fund rather than the current service cost of benefits earned during the year.
- expenditure on support services is budgeted for within the relevant departments that provide the support services and not charged directly to services receiving the support services.

The income and expenditure for the Council's main service areas is shown separately on the following pages. Income and expenditure for the subsidiary, associate and joint venture companies is shown in total.

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure

2015/16	Children and Families £000	Economic Devt. £000	Corporate Governance £000
Fees, charges and other service income	(7,912)	(692)	(20,518)
Government grants and other contributions	(14,921)	(5,257)	(15,837)
Total Income	(22,833)	(5,949)	(36,355)
Employee expenses	263,163	4,296	42,031
Other service expenses	158,673	13,515	74,134
Total Expenditure	421,836	17,811	116,165
Net Expenditure / (Income)	399,003	11,862	79,810

	Health and Social Care £000	Housing Revenue Account £000	Valuation Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,190)	(107,172)	0	(207,872)
Government grants and other contributions	(57,345)	(2,901)	0	(41,182)
Total Income	(77,535)	(110,073)	0	(249,054)
Employee expenses	104,128	13,754	0	127,570
Other service expenses	180,888	85,365	3,744	255,035
Support service recharges	0	8,698	0	825
Total Expenditure	285,016	107,817	3,744	383,430
Net Expenditure / (Income)	207,481	(2,256)	3,744	134,376

	Net Cost of Benefits £000	Centrally Funded Release Costs £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(131,087)	(495,443)
Net income from associates	0	0	(18,712)	(18,712)
Government grants and other contributions	(201,072)	0	(27,159)	(365,674)
Total Income	(201,072)	0	(176,958)	(879,829)
Employee expenses	0	20,942	89,684	665,568
Other service expenses	225,171	0	72,742	1,069,267
Support service recharges	0	0	0	9,523
Depreciation, amortisation and impairment	0	0	9,717	9,717
Total Expenditure	225,171	20,942	172,143	1,754,075
Net Expenditure / (Income)	24,099	20,942	(4,815)	874,246

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure - continued

(re-stated) 2014/15 Comparative Data	Children and Families £000	Economic Devt. £000	Corporate Governance £000	
Fees, charges and other service income	(8,692)	(719)	(23,424)	
Government grants and other contributions	(15,183)	(4,417)	(16,401)	
Total Income	(23,875)	(5,136)	(39,825)	
Employee expenses	260,755	4,516	44,158	
Other service expenses	154,513	13,073	76,745	
Total Expenditure	415,268	17,589	120,903	
Net Expenditure / (Income)	391,393	12,453	81,078	
	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,736)	(105,025)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
Total Income	(75,038)	(106,611)	0	(248,352)
Employee expenses	103,675	10,968	0	126,824
Other service expenses	181,600	85,470	3,745	258,064
Support service recharges	0	7,209	0	780
Total Expenditure	285,275	103,647	3,745	385,668
Net Expenditure / (Income)	210,237	(2,964)	3,745	137,316
	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(132,710)	(504,674)
Net income from associates	0	0	(21,412)	(21,412)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
Total Income	(202,248)	0	(180,973)	(882,058)
Employee expenses	0	(707)	83,591	633,780
Other service expenses	229,642	0	80,522	1,083,374
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	9,140	9,140
Total Expenditure	229,642	(707)	173,253	1,734,283
Net Expenditure / (Income)	27,394	(707)	(7,720)	852,225

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

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	874,246	879,061	852,225	859,945
Net expenditure of services and support services not included in the dept. analysis	(8,702)	(8,702)	33,053	33,053
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	160,821	160,821	100,676	100,676
Amounts included in departmental analysis not included in CIES	(72,287)	(72,287)	(61,359)	(61,359)
Amounts included in the departmental analysis included below Cost of Services in the CIES	(232)	(232)	(66)	(66)
Cost of Services in CIES	953,846	958,661	924,529	932,249

32.3 Reconciliation to Subjective Analysis

Group 2015/16	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(495,443)	7,939	1,561
Net income from associates and joint ventures	(18,712)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(365,674)	6,627	0
Total Income	(879,829)	14,566	1,561
Employee expenses	665,568	87,008	(17,828)
Other service expenses	1,069,267	(110,276)	(1,561)
Support service recharges	9,523	0	0
Depreciation, amortisation and impairment	9,717	0	178,649
Total Expenditure	1,754,075	(23,268)	159,260
Net Expenditure / (Income)	874,246	(8,702)	160,821

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Group 2015/16	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	980	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	980	0
Employee expenses	(72,287)	(587)	4,588
Other service expenses	0	(625)	4,935
Support service recharges	0	0	(9,523)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(72,287)	(1,212)	0
Net Expenditure / (Income)	(72,287)	(232)	0

Group 2015/16	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(484,963)	(3,527)	(488,490)
Net income from associates and joint ventures	(18,712)	0	(18,712)
Interest and investment income	0	(89,814)	(89,814)
Income from Council Tax	0	(216,351)	(216,351)
Government grants and other contributions	(359,047)	(815,971)	(1,175,018)
Total Income	(862,722)	(1,125,663)	(1,988,385)
Employee expenses	666,462	587	667,049
Other service expenses	961,740	1,015	962,755
Support service recharges	0	0	0
Depreciation, amortisation and impairment	188,366	0	188,366
Interest payments	0	201,215	201,215
Gain on disposal of assets	0	(36,148)	(36,148)
Total Expenditure	1,816,568	166,669	1,983,237
Net Expenditure / (Income)	953,846	(958,994)	(5,148)

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2015/16	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(364,356)	7,939	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(338,515)	6,627	0
Total Income	(702,871)	14,566	0
Employee expenses	575,884	87,008	(17,828)
Other service expenses	996,525	(110,276)	0
Support service recharges	9,523	0	0
Depreciation, amortisation and impairment	0	0	178,649
Total Expenditure	1,581,932	(23,268)	160,821
Net Expenditure / (Income)	879,061	(8,702)	160,821

Council 2015/16	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	980	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	980	0
Employee expenses	(72,287)	(587)	4,588
Other service expenses	0	(625)	4,935
Support service recharges	0	0	(9,523)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(72,287)	(1,212)	0
Net Expenditure / (Income)	(72,287)	(232)	0

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2015/16	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(355,437)	(3,527)	(358,964)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(76,540)	(76,540)
Income from Council Tax	0	(216,351)	(216,351)
Government grants and other contributions	(331,888)	(815,971)	(1,147,859)
Total Income	(687,325)	(1,112,389)	(1,799,714)
Employee expenses	576,778	587	577,365
Other service expenses	890,559	660	891,219
Support service recharges	0	0	0
Depreciation, amortisation and impairment	178,649	0	178,649
Interest payments	0	187,151	187,151
Gain on disposal of assets	0	(36,146)	(36,146)
Total Expenditure	1,645,986	152,252	1,798,238
Net Expenditure / (Income)	958,661	(960,137)	(1,476)

(re-stated) Group 2014/15 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(504,674)	11,619	2,391
Net income from associates and joint ventures	(21,412)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(355,972)	9,490	0
Total Income	(882,058)	21,109	2,391
Employee expenses	633,780	116,082	(51,856)
Other service expenses	1,083,374	(104,138)	(2,391)
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	9,140	0	152,532
Total Expenditure	1,734,283	11,944	98,285
Net Expenditure / (Income)	852,225	33,053	100,676

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Group 2014/15 Comparative Data	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

Group 2014/15 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(489,367)	(15,505)	(504,872)
Net income from associates and joint ventures	(21,412)	0	(21,412)
Interest and investment income	0	(106,117)	(106,117)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(346,482)	(819,818)	(1,166,300)
Total Income	(857,261)	(1,154,416)	(2,011,677)
Employee expenses	639,298	701	639,999
Other service expenses	980,820	2,225	983,045
Support service recharges	0	0	0
Depreciation, amortisation and impairment	161,672	0	161,672
Interest payments	0	212,377	212,377
Gain on disposal of assets	0	(4,807)	(4,807)
Total Expenditure	1,781,790	210,496	1,992,286
Net Expenditure / (Income)	924,529	(943,920)	(19,391)

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Council 2014/15 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(371,964)	11,619	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(329,121)	9,490	0
Total Income	(701,085)	21,109	0
Employee expenses	550,189	116,082	(51,856)
Other service expenses	1,002,852	(104,138)	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	0	0	152,532
Total Expenditure	1,561,030	11,944	100,676
Net Expenditure / (Income)	859,945	33,053	100,676
	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Council 2014/15 Comparative Data			
Fees, charges and other service income	0	1,297	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

(re-stated)

Council 2014/15 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(359,048)	(15,573)	(374,621)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(90,432)	(90,432)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	(678,679)	(1,138,799)	(1,817,478)
Employee expenses	555,707	701	556,408
Other service expenses	902,689	730	903,419
Support service recharges	0	0	0
Depreciation, amortisation and impairment	152,532	0	152,532
Interest payments	0	196,902	196,902
Gain on disposal of assets	0	(4,716)	(4,716)
Total Expenditure	1,610,928	193,617	1,804,545
Net Expenditure / (Income)	932,249	(945,182)	(12,933)

33. Trading Operations

The following services continue to meet the definition of significant trading operations under the terms of the Local Government in Scotland Act 2003, as amended.

33.1 Edinburgh Catering Services - Other Catering

Edinburgh Catering Services - Other Catering is a quality accredited trading operation providing a catering service to staff and the public across seven Council buildings which includes civic hospitality in Waverley Court and the City Chambers.

Civic hospitality which includes external customers accounts for approximately 45% of the business turnover within this contract.

	2015/16 £000	2014/15 £000	2013/14 £000	Cumulative £000
Turnover	980	1,297	1,355	n/a
(Deficit) / Surplus	(232)	(66)	(45)	(343)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period, due to a downturn in turnover on internal hospitality, an increase in other staffing and equipment costs. Reductions in vending equipment are planned to ensure cost reduction going forward, along with a new pricing policy aimed at increasing income from staff facilities and internal hospitality.

The results of Edinburgh Catering Services - Other Catering are included within 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

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.

	2015/16 £000	2014/15 £000	2013/14 £000	Cumulative £000
Turnover	16,723	17,155	17,319	n/a
Surplus / (deficit)	(242)	2,279	2,997	5,034

Refuse Collection achieved its statutory obligation to break even over the three-year period.

In 2015/16, a citywide scheme was introduced to improve the appearance of the capital's streets. Businesses were no longer permitted to permanently store their waste containers in public and were required to present their waste during timed collection windows. As a consequence, there was an increase in staff and vehicle costs to support this initiative.

The results of Refuse Collection / Trade Waste are included within 'Environmental Services' in the Comprehensive Income and Expenditure Statement.

34. Financial Support and Guarantees

34.1 Loans and guarantees

The Council has made loans to the following organisations at less than market interest rates (soft loans).

	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartan Community Football Academy	Spartan Community Football Academy
Opening Balance	824	0	51	50
New Loans	0	1,000	0	0
Increase in the Discounted Amount	37	20	4	4
Fair Value Adjustment	0	(196)	0	0
Loan Repayment	0	0	(3)	(3)
Balance Carried Forward	<u>861</u>	<u>824</u>	<u>52</u>	<u>51</u>
Nominal Value Carried Forward	<u>1,000</u>	<u>1,000</u>	<u>105</u>	<u>108</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 its general working capital purposes and funding its business and activities.

The Spartans loan relates to the lease of an area of ground lying immediately to the west of Ainslie Park Leisure Centre, Pilton Drive, Edinburgh. The original outstanding payment was £120,000, with £3,000 to be paid on or before 31 March each year for ten consecutive years from 31 March 2012 and £9,000 to be paid for ten consecutive years on or before 31 March from 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial Support and Guarantees - continued

34.2 Shared Equity Scheme / Scheme of Assistance

In 2010/11, the Council approved a shared equity scheme to help buyers purchase homes from PARC. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Interest for the period up to 2014/15 was charged to PARC and thereafter to the purchasers. Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

34.3 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs. The Council works with the Scottish Government and SFT to procure private developers to build homes for mid-market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships through the NHT initiative.

Phase 1 of investment in NHT saw 422 new homes delivered, by June 2014, across four sites, at a cost of £45.67m.

Phase 2 of NHT was approved in June 2014, for the delivery of up to 96 new affordable housing units. Investment totalling £11.92m will be required with £1.498m of expenditure incurred in 2015/16 and the remaining balance of £10.422m forecast for 2016/17.

A third phase of NHT has been approved and will deliver up to 413 mid-market rent homes across three separate sites by December 2019. The estimated cost of phase 3 is £48.122m.

The Council has advanced the following sums through the NHT scheme:

Developer	Development Site	Total No. of Units	2015/16 £000	Prior Years £000
Places for People	Lochend North	126	0	13,323
Places for People	Lighthouse Court	62	0	6,492
Teague Homes Limited	Salamander Place / Leith Links	145	0	15,551
Miller Homes	Telford North	89	0	10,299
FP Newhaven Ltd	Sandpiper Road	12	1,498	0
			<u>1,498</u>	<u>45,665</u>

These sums are included within long-term debtors, as detailed in note 20.2.

NOTES TO THE FINANCIAL STATEMENTS

35. Agency Income and Expenditure

The Council has entered into agency agreements with other local public bodies to provide and receive services, the income and expenditure for which is included in the Comprehensive Income and Expenditure Statement. The main activities were:

	2015/16 £000	2014/15 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	71	279
Educational services for children	2,176	1,842
Care services for children	1,653	1,491
Scottish Cities Alliance Investment Fund (see note 48.)	900	1,337
Others		
Police officers	2,560	2,600
Police Scotland - cab inspection	120	299
Scottish Cities Alliance Investment Fund (see note 48.)	180	0
	<u>7,660</u>	<u>7,848</u>
Total Expenditure	<u>7,660</u>	<u>7,848</u>
Income		
Receipts in respect of library services:		
Health Boards	(19)	(19)
Scottish Prison Service	(16)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,377)	(1,026)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,680)
Midlothian Council	(62)	(61)
Receipts from other local authorities in respect of:		
Criminal justice services	(975)	(1,055)
Educating pupils	(634)	(741)
Pentland Hills Regional Park management	(78)	(78)
Care services for children	(958)	(867)
Risk Factory	(35)	(39)
Social work undertakings	(3,995)	(4,302)
	<u>(9,829)</u>	<u>(9,884)</u>
Total Income	<u>(9,829)</u>	<u>(9,884)</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 (2014/15 £0.691m). The Council has re-charged £0.048m of the audit fee to Lothian Pension Funds in respect of its audit (2014/15 £0.048m), and £0.004m (2014/15 £nil) to The City of Edinburgh Council Charitable Trusts.

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's accounts (formerly tie Limited). The Council paid £0.002m during 2015/16 (2014/15 £0.002m) for the audit of 2014/15 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. Grant Income

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2015/16		2014/15	
	£000	£000	£000	£000
Revenue Funding				
Credited to taxation and non-specific grant income				
General revenue funding	(354,576)		(386,311)	
Non-domestic rates	<u>(390,862)</u>		<u>(364,108)</u>	
		(745,438)		(750,419)
Credited to services				
Government grants	(19,611)		(20,594)	
Department for Work and Pensions				
- Housing benefits	(202,668)		(202,325)	
- Other funding	(4,537)		(4,515)	
N.H.S. Lothian	(41,348)		(37,093)	
Other Local Authorities	(3,447)		(3,929)	
Scottish Water	(1,758)		0	
International Conference Centre Inc. Trust	(621)		(1,627)	
Edinburgh Leisure	(684)		(679)	
Scottish Prison Service	(489)		(489)	
Lottery funding	(21)		(25)	
SportScotland	<u>(881)</u>		<u>(1,012)</u>	
		<u>(276,065)</u>		<u>(272,288)</u>
Total		<u><u>(1,021,503)</u></u>		<u><u>(1,022,707)</u></u>
Capital Funding				
Scottish Government		(63,499)		(63,942)
Transport Scotland		347		(42)
Other grants and contributions, including contributions from developers and individuals		(3,896)		(3,366)
Port of Leith Housing Association		(985)		(105)
Kirkliston Consortium		(1,979)		(951)
Henderson Global		533		28
Cruden Homes		(507)		(242)
Historic Scotland		(431)		(173)
Forth Estuary Transport Authority		0		(235)
Royal Bank of Scotland		0		(56)
Museum Galleries Scotland		0		(56)
Midlothian Council		(4)		(9)
Scottish Borders Council		(112)		0
Edinburgh Tram Ltd.		0		(17)
Edinburgh Tourist Board		0		(233)
Total		<u><u>(70,533)</u></u>		<u><u>(69,399)</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

	2015/16 £000	2014/15 £000
• Revenue Expenditure		
Capital City Partnership	4,056	4,249
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	152	220
Changeworks Recycling	0	7
Edinburgh Festival Theatres	800	771
Edinburgh Leisure Limited		
Revenue funding	8,419	9,590
Other expenditure	52	303
Edinburgh Trams Ltd	688	2,851
Edinburgh World Heritage Trust	58	49
Integration Joint Board	54	0
Lothian Buses Limited		
Supported bus services	891	840
Other expenditure	1,457	3,954
NHS Bodies	2,294	2,398
Other Local Authorities	2,995	2,638
Scottish Government	163	171
Scottish and Southern Energy	111	264
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	678	747
Dean and Cauvin Charitable Trust	817	837
Edinburgh International Festival Society	2,409	2,506
Festivals Edinburgh Ltd	178	175
Handicab	448	448
Health Projects	151	156
Lifecare Edinburgh	342	539
Marketing Edinburgh	953	977
Royal Lyceum Theatre Co Ltd	369	382
Total Revenue Expenditure	28,535	35,072
• Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(221)	(196)
Edinburgh Festival Theatres	(149)	(59)
Professional services, rents, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(18)	(1)
Edinburgh Leisure	(17)	(6)
Lothian Valuation Joint Board	(8)	(5)
Other Local Authorities	(1,095)	(2,971)
Scottish Government	(404)	(588)
Scottish Court Service	0	70
Lothian Health Board		
Change Fund	(5,881)	(2,065)
Resource transfers	(21,499)	(21,077)
Other Grants and Fees	(91)	(384)
Total Revenue Income	(29,383)	(27,282)

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure - continued

	2015/16 £000	2014/15 £000
<ul style="list-style-type: none"> ● Joint Board Requisitions 		
Lothian Valuation Joint Board	3,744	3,745
Total Joint Board Requisitions	3,744	3,745
<ul style="list-style-type: none"> ● Central Support Income 		
Forth Estuary Transport Authority	(30)	(109)
Lothian Valuation Joint Board	(61)	(65)
Pension Funds	(279)	(322)
Total Central Support Income	(370)	(496)
<ul style="list-style-type: none"> ● Interest on Revenue Balances 		
Forth Estuary Transport Authority	0	(11)
Lothian Valuation Joint Board	3	3
Pension Funds	33	22
SESTRAN	0	(1)
Total Interest on Revenue Balances	36	13
<ul style="list-style-type: none"> ● Loans Charges Recovered 		
Lothian and Borders Fire and Rescue Board	(1,306)	(1,503)
Lothian and Borders Police Board	(3,060)	(3,130)
Total Loans Charges	(4,366)	(4,633)
38.2 Subsidiaries and Other Organisations - Capital Expenditure		
<ul style="list-style-type: none"> ● Capital Expenditure 		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	2,021	1,334
Edinburgh Leisure	165	165
Hubco	15,773	4,468
Other Local Authorities	1,163	2,320
Scottish Government	5,565	261
Sport Scotland	0	151
Total Capital Expenditure	24,687	8,699

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 2016:

	2015/16	2014/15
	£000	£000
CEC Holdings Limited (including all subsidiaries)	(442)	(169)
Edinburgh Military Tattoo	52	0
Forth Estuary Transport Authority	0	509
Hubco	(310)	(770)
Integration Joint Board	(3)	0
Lothian and Borders Criminal Justice Authority	227	2,599
Scottish Fire and Rescue Service	676	1,228
Police Scotland	37	48
Lothian Valuation Joint Board	(1,302)	(1,233)
Lothian Buses	14	0
NHS Bodies	1,411	540
Pension Funds	(1,981)	(6,361)
Scottish Government	14,006	7,079
Scottish Water	70	70
SESTRAN	613	1,090
SUSTRANS	872	710
Transport Scotland	0	422
	<u>13,940</u>	<u>5,762</u>
• Other Indebtedness		
HM Revenue and Customs - VAT	8,089	8,879
HM Revenue and Customs - PAYE and NI	(9,035)	(9,397)
	<u>(946)</u>	<u>(518)</u>
• Investments held on behalf of, and repayable to:		
CEC Holdings	0	(120)
Common Good	0	(2,756)
	<u>0</u>	<u>(2,876)</u>

In 2014/15, cash investments managed on behalf of CEC Holdings and the Common Good Fund as part of the Council's Treasury Cash Fund arrangements, were shown in the Council's accounts as both investments and creditors. Separate Treasury Cash Fund investment management agreements are now held for both entities, the cash investments are therefore no longer shown on the Council's balance sheet as either investments or creditors.

The Common Good Fund position is detailed in the Common Good Fund Balance Sheet (page 134).

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.

	2015/16		2014/15	
	£000	£000	£000	£000
Opening capital financing requirement		1,726,030		1,728,465
Capital Investment				
Property, plant and equipment	149,880		149,626	
Heritage Assets	40		44	
Assets held for sale	223		117	
Intangible assets	0		2,372	
Capital Receipts transferred to Capital Fund	55,141		11,298	
National Housing Trust - Consent to borrow (see note 34.3)	1,498		9,696	
Revenue expenditure funded from capital under statute	38,846		32,641	
Adjustments to PPP schools during the year	<u>(9,195)</u>		<u>12,610</u>	
		236,433		218,404
Sources of Finance				
Capital receipts	(116,763)		(21,479)	
Capital Funded from Current Revenue	(215)		(5,674)	
Government grants and other contributions	(116,901)		(99,372)	
Loans fund / finance lease repayments	<u>(95,763)</u>		<u>(94,314)</u>	
		<u>(329,642)</u>		<u>(220,839)</u>
Closing capital financing requirement		<u><u>1,632,821</u></u>		<u><u>1,726,030</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(83,209)		(37,331)
Voluntary debt repayment - HRA		(10,000)		(6,123)
Assets acquired under finance leases		0		7,172
Assets acquired under PFI/PPP contracts		0		33,847
(Decrease) / Increase in capital financing requirement		<u><u>(93,209)</u></u>		<u><u>(2,435)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

40. Leases

40.1 Assets Leased in - Finance Leases

The Council has classified one building and its IT equipment as finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	12,658	9,523	13,768	8,011
Additions during the year	0	0	7,172	7,172
Reclassification to operating lease during the year	0	0	(2,840)	(2,840)
Repayments during the year	<u>(5,278)</u>	<u>(2,816)</u>	<u>(5,442)</u>	<u>(2,820)</u>
Value at 31 March	<u>7,380</u>	<u>6,707</u>	<u>12,658</u>	<u>9,523</u>
Other land and buildings	63	63	126	126
Vehicles, plant, equipment and furniture	<u>7,317</u>	<u>6,644</u>	<u>12,532</u>	<u>9,397</u>
Value at 31 March	<u><u>7,380</u></u>	<u><u>6,707</u></u>	<u><u>12,658</u></u>	<u><u>9,523</u></u>

The Council is committed to making minimum lease payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are shown below:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	3,310	2,797	5,275	2,816
Non-current	4,070	3,910	7,383	6,707
Finance costs payable	<u>531</u>	<u>531</u>	<u>751</u>	<u>751</u>
Minimum lease payments	<u><u>7,911</u></u>	<u><u>7,238</u></u>	<u><u>13,409</u></u>	<u><u>10,274</u></u>

The minimum lease payments will be payable over the following periods:

Minimum Finance Lease Repayments	at 31.03.16		at 31.03.15	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	3,528	3,015	5,495	3,036
Later than one year and not later than five years	4,383	4,223	7,914	7,238
Later than five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>7,911</u></u>	<u><u>7,238</u></u>	<u><u>13,409</u></u>	<u><u>10,274</u></u>
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	3,310	2,797	5,275	2,816
Later than one year and not later than five years	4,070	3,910	7,383	6,707
Later than five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>7,380</u></u>	<u><u>6,707</u></u>	<u><u>12,658</u></u>	<u><u>9,523</u></u>

NOTES TO THE FINANCIAL STATEMENTS

40. Leases - continued

40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment financed under the terms of operating leases. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

In 2015/16, the Council revised its car leasing scheme which it now operates in association with an external provider. The amounts recognised as an expense during the year include £0.047m of contributions paid by employees towards cost of car leasing (2014/15 £0.277m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.030m is recoverable from employees (2014/15 £0.362m):

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Future Repayment Period				
Not later than one year	2,467	2,074	2,484	2,081
Later than one year and not later than five years	5,402	4,350	7,026	5,823
Later than five years	6,755	5,286	7,842	6,164
	14,624	11,710	17,352	14,068
Value at 31 March				
Other land and buildings	13,613	11,598	15,532	13,355
Vehicles, plant, equipment and furniture	1,011	112	1,820	713
	14,624	11,710	17,352	14,068
Recognised as an expense during the year	2,565	2,094	2,875	2,454

The 2014/15 comparative has been restated to correct a prior year misstatement.

40.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2015/16 £000	2014/15 £000
Not later than one year	14,625	14,116
Later than one year and not later than five years	41,975	41,346
Later than five years	151,887	157,676
	208,487	213,138

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

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) being completed in April 2015, and final phases (including sports hall, social / assembly buildings) due for completion in July 2016. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2016/17	16,818	8,016	18,629	43,463
Payable within two to five years	76,156	32,552	72,497	181,205
Payable within six to ten years	117,530	41,212	81,867	240,609
Payable within eleven to fifteen years	134,421	51,495	71,495	257,411
Payable within sixteen to twenty years	113,926	54,881	52,800	221,607
Payable within twenty one to twenty five years	45,038	30,824	18,634	94,496
Payable within twenty six to thirty years	185	913	112	1,210
	<u>504,074</u>	<u>219,893</u>	<u>316,034</u>	<u>1,040,001</u>

Payments due under the following schemes have been inflated by 1.11% per annum for the PPP1 scheme, 1.67% per annum for the PPP2 scheme and 2.5% per annum for the James Gillespies High School scheme, reflecting the terms of the separate contracts. The actual level of payment to be made in 2016/17 will be adjusted to reflect non-availability of a number of school facilities over the period between April and July 2016.

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 them for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2015/16 £000	2014/15 £000
Balance at 1 April	227,802	200,831
PPP unitary charge restatement adjustment	0	64
Additions during the year	0	33,847
Repayments during the year	<u>(7,909)</u>	<u>(6,940)</u>
Balance at 31 March	<u>219,893</u>	<u>227,802</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Public Private Partnerships and Similar Contracts - continued

41.2 Provision of Information Technology services

In 2015 the Council entered into a seven year contract for the provision of information technology services. This contract became operational on 1 April 2016.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown). The repayments during the first year of the contract include up to £15m of one off costs.

Future Repayment	Inflationary	
Period	£000	Uplift
2016/17	37,139	2.0%
2017/18 - 2020/21	88,488	2.0%
2021/22 - 2022/23	<u>38,039</u>	2.0%
	<u><u>163,666</u></u>	

The cost of information technology is included in overheads and is re-allocated to services.

41.3 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period.

Under the agreement the Council is committed to paying the following sums in cash terms: (renegotiated annually)

Future Repayment	£000	
Period		
2016/17	5,761	
2017/18 - 2019/20	<u>14,401</u>	
	<u><u>20,162</u></u>	

41.4 Waste Disposal

The Council entered into a twenty year contract with Viridor in 2000 to supply waste to their landfill site in Dunbar. The contract requires the Council to supply an agreed tonnage to the landfill site each calendar year. Fees are subject to review twice a year, based on civil engineering indices.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an increase of 2% per annum):

Future Repayment	£000	
Period		
2016/17	3,538	
2017/18 - 2020/21	<u>12,631</u>	
	<u><u>16,169</u></u>	

41.5 Food Waste Contract

In 2015 the Council entered into a twenty year contract with Alauna Renewable Energy to supply food waste treatment at Millerhill from 1 April 2016.

Future Repayment	Inflationary	
Period	£000	Uplift
2016/17	309	2.50%
2017/18 - 2020/21	2,156	2.50%
2021/22 - 2025/26	2,896	2.50%
2026/27 - 2030/31	3,136	2.50%
2031/32 - 2035/36	<u>3,406</u>	2.50%
	<u><u>11,903</u></u>	

41.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £19.443m.

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.

	2015/16		2014/15	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	19,715		18,335	
As a percentage of teachers' pensionable pay		17.20		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2014/15	19,296		21,123	

At 31 March 2016, creditors include £2.731m (2014/15 £2.487m) in respect of teachers' superannuation. The increase in the percentage of teachers' pensionable pay came into effect in September 2015.

43. Defined Pension Schemes

43.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme, in 2015/16 the Council paid an employer's contribution of £55.446m (2014/15 £54.843m) into the Lothian Pension Fund, representing 21.3% (2014/15 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The latest review was in March 2014.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.2 Transactions Relating to Post-Employment Benefits - continued

	2015/16		2014/15	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	82,023		72,084	
Past service costs	2,087		744	
Effect of Settlements	<u>(159)</u>		<u>0</u>	
		83,951		72,828
<i>Financing and investment income:</i>				
Net interest expense		<u>23,445</u>		<u>23,254</u>
Total post employee benefit charged to the surplus on the provision of services		107,396		96,082
<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.	(37,286)		(204,649)	
Actuarial (gains) and losses arising on changes in financial assumptions	(253,389)		284,632	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		103,126	
Other experience	<u>(32,463)</u>		<u>(26,361)</u>	
		<u>(323,138)</u>		<u>156,748</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>(215,742)</u>		<u>252,830</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>(107,396)</u>		<u>(96,082)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		66,297		55,002
Contributions in respect of unfunded benefits		<u>5,990</u>		<u>6,357</u>
		<u>72,287</u>		<u>61,359</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:

	2015/16 £000	2014/15 £000
Fair value of employer assets	2,247,877	2,144,897
Present value of funded liabilities	(2,605,380)	(2,782,482)
Present value of unfunded liabilities	<u>(81,437)</u>	<u>(89,384)</u>
Net liability arising from defined benefit obligation	<u>(438,940)</u>	<u>(726,969)</u>

43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	2,144,897	1,862,816
Effect of settlements	(1,917)	0
Interest income	68,568	79,991
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	37,286	204,649
Contributions from employer	66,297	55,002
Contributions from employees into the scheme	16,502	16,416
Contributions in respect of unfunded benefits	5,990	6,357
Benefits paid	(83,756)	(73,977)
Unfunded benefits paid	<u>(5,990)</u>	<u>(6,357)</u>
Closing fair value of scheme assets	<u>2,247,877</u>	<u>2,144,897</u>

Reconciliation of Present Value of the Scheme Liabilities

	2015/16 £000	2014/15 £000
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	<u>(89,384)</u>	<u>(86,924)</u>
Opening balance at 1 April	(2,871,866)	(2,398,314)
Current service cost	(82,023)	(72,084)
Interest cost	(92,013)	(103,245)
Contributions from employees into the scheme	(16,502)	(16,416)
Re-measurement gain / (loss):		
Change in financial assumptions	253,389	(284,632)
Change in demographic assumptions	0	(103,126)
Other experience	32,463	26,361
Past service cost	(2,087)	(744)
Effects of settlements	2,076	0
Benefits paid	83,756	73,977
Unfunded benefits paid	<u>5,990</u>	<u>6,357</u>
Closing balance at 31 March	<u>(2,686,817)</u>	<u>(2,871,866)</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.

	2015/16 £000	%	2014/15 £000	%
Consumer *	342,338	15	300,827	14
Manufacturing *	265,121	12	252,298	12
Energy and Utilities *	178,558	8	214,314	10
Financial Institutions *	190,391	8	176,717	8
Health and Care *	149,425	7	146,156	7
Information technology *	134,677	6	134,141	6
Other *	<u>128,664</u>	6	<u>96,065</u>	4
Sub-total Equity Securities	<u>1,389,174</u>		<u>1,320,518</u>	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (non-investment grade) *	0	0	0	0
UK Government *	144,656	6	124,200	6
Other *	<u>56,864</u>	3	<u>52,894</u>	3
Sub-total Debt Securities	<u>201,520</u>		<u>177,094</u>	
Private Equity				
All *	25,228	1	0	0
All	<u>73,078</u>	3	<u>248,710</u>	12
Sub-total Private Equity	<u>98,306</u>		<u>248,710</u>	
Real Estate:				
UK Property	192,281	9	140,297	7
Overseas Property	<u>0</u>	0	<u>21,751</u>	1
Sub-total Real Estate	<u>192,281</u>		<u>162,048</u>	
Investment Funds and Unit Trusts:				
Equities *	0	0	23,272	1
Equities	0	0	0	0
Bonds *	6,032	0	6,161	0
Bonds	12,180	1	0	0
Commodities *	6,235	0	6,854	0
Infrastructure *	12,509	1	12,898	1
Infrastructure	136,998	6	0	0
Other *	0	0	6,933	0
Other	<u>53,855</u>	2	<u>7,662</u>	0
Sub-total Investment Funds and Unit Trusts	<u>227,809</u>		<u>63,780</u>	
Derivatives:				
Foreign Exchange *	(130)	0	3,289	0
Other *	<u>0</u>	0	<u>0</u>	0
Sub-total Derivatives	<u>(130)</u>		<u>3,289</u>	
Cash and Cash Equivalents				
All *	<u>138,917</u>	6	<u>169,458</u>	8
Sub-total Cash and Cash Equivalents	<u>138,917</u>		<u>169,458</u>	
Total Fair Value of Employer Assets	<u>2,247,877</u>	<u>100</u>	<u>2,144,897</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 2016 were those from the beginning of the year (i.e. 31 March 2015) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2015 to 31 December 2015	1.30%
Estimated return for period from 1 April 2015 to 31 March 2016	4.90%

Average future life expectancies at age 65:

		31.03.16	31.03.15
Current pensioners	male	22.1 years	22.1 years
Current pensioners	female	23.7 years	23.7 years
Future pensioners	male	24.2 years	24.2 years
Future pensioners	female	26.3 years	26.3 years

Period ended	31.03.16	31.03.15
Pension increase rate	2.2%	2.4%
Salary Increase rate	4.2%	4.3%
Discount rate	3.5%	3.2%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2016	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	271,586
1 year increase in member life expectancy	3%	80,604
0.5% increase in the Salary Increase Rate	3%	89,601
0.5% increase in the Pension Increase Rate	7%	176,900

43.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.8 Information about the defined benefit obligation

	Liability Split		Weighted Average Duration
	£000	%	
Active members	1,434,118	55.1	23.1
Deferred members	297,842	11.4	22.4
Pensioner members	873,420	33.5	11.9
Total	2,605,380	100.0	18.3

The above figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2014.

The unfunded pensioner liability at 31 March 2016 comprises approximately £62.141m (2014/15 £68.26m) in respect of LGPS unfunded pensions and £19.296m (2014/15 £21.123m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

43.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

	2015/16 Pension Reserve £000	2014/15 Pension Reserve £000
Unusable Reserves		
Council	(438,940)	(726,969)
Lothian Valuation Joint Board	(3,820)	(7,267)
	<u>(442,760)</u>	<u>(734,236)</u>
Usable Reserves		
CEC Holdings	(1,010)	(1,483)
Festival City Theatres Trust	(75)	(122)
Edinburgh Leisure	(844)	(3,363)
Transport for Edinburgh Ltd	17,936	(10,497)
	<u>16,007</u>	<u>(15,465)</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 2017

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(70,548)	(70,548)	(26.8%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(70,548)	(70,548)	(26.8%)
Interest income on plan assets	78,519	0	78,519	29.9%
Interest cost on defined benefit obligation	0	(94,032)	(94,032)	(35.8%)
Total Net Interest Cost	78,519	(94,032)	(15,513)	(5.9%)
Total included in Profit or Loss	78,519	(164,580)	(86,061)	(32.7%)

The Council's estimated contribution to Lothian Pension Fund for 2016/17 is £55.906m.

43.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £7.994m, including accrued payments (2014/15 £2.705m).

43.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Chief Executive Officer, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

44. Contingent Liabilities

- There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.
- The provision for equal pay claims includes an estimate of the costs for all staff with unsettled equal pay claims against the Council as at 31 March 2016. Additional equal pay liabilities may arise if further eligible claims are made. This potential additional liability will be confirmed only by further eligible claims being lodged and its amount cannot be estimated with reasonable accuracy. Consequently, no provision has been made in the financial statements in respect of this.
- Whilst the Council has made an impairment provision for statutory repairs debtors, there may also be further liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.
- There may be claims submitted against the Council in relation to a decision by the European Court of Justice under the Working Time Directive. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

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 10 March 2016 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2016/17 has been set at £1.818bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2016/17 has been set at £1.718bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% of the Council's net debt respectively.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

45.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

45.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31 March 2016, the Council had £13.0m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 41.4% were loans to other local authorities, a further 21.4% were UK Government Treasury Bills, 14.4% was held in two AAA rated Money Market Funds, leaving only 22.8% with banks. All of the monies held on deposit with banks at 31 March 2016 was in call or near call accounts.

The Council's cash holding under its treasury management arrangements at 31 March 2016 was £192.5 million (31 March 2015: £96.4m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.16 £000	Carry Value 31.03.16 £000	Fair Value 31.03.16 £000	Carry Value 31.03.15 £000
Money Market Funds					
Deutsche Bank AG, London	AAA	25,661	25,672	25,672	14,152
Goldman Sachs	AAA	181	183	183	14,135
Bank Call Accounts					
Bank of Scotland	A	12,603	12,608	12,608	9,108
Royal Bank of Scotland	BBB+	2,042	2,042	2,042	1,278
Santander UK	A	16	16	16	8,839
Barclays Bank	A-	13,025	13,048	13,048	9,238
Svenska Handelsbanken	AA-	13,284	13,295	13,295	14,373
Clydesdale Bank	AA-	0	0	0	3,736
HSBC Bank Plc	AA-	19	19	19	14,061
Floating Rate Note					
Rabobank	A+	0	0	0	2,509
Building Society Fixed Term Deposits					
Nationwide Building Society	A	0	0	0	2,491
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	87,295	87,350	89,357	0
UK Government Treasury Bills	AAA	38,364	38,455	38,455	2,490
		192,490	192,688	194,695	96,410

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 would have been 'AAA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating, but of the £87.35m above, £5.93m is with a local authority which had an 'Aa2' credit rating from Moodys.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £41.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. Despite continuing concerns over the European Sovereign Debt crisis and the effects that this might have on the banking system, there was no evidence at 31 March 2016 that this risk was likely to crystallise.

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 2016 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2016 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2016. This is available on request from the Council's Treasury Section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.769m (2014/15 £1.767m), trade debtors past due date can be analysed by age as follows:

	2015/16	2014/15
	£000	£000
Less than two months	13,163	18,283
Two to four months	1,055	2,008
Four to six months	786	2,066
Six months to one year	4,088	2,849
More than one year	10,886	11,093
Total	<u>29,978</u>	<u>36,299</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:

	2015/16	2014/15
	£000	£000
Less than one year	(80,656)	(75,077)
Between one and two years	(66,155)	(65,227)
Between two and five years	(188,770)	(188,310)
Between five and ten years	(264,343)	(260,587)
More than ten years	<u>(996,419)</u>	<u>(1,063,998)</u>
Financial Liabilities	<u>(1,596,343)</u>	<u>(1,653,199)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £15.277m (2014/15 £18.597m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.513m (2014/15 £17.854m) nor net equivalent interest rate (EIR) adjustments of £8.954m (2014/15 £9.041m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investment which the Council has with a maturity of greater than one year is £4.6m in EDI loan stock.

45.6 Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

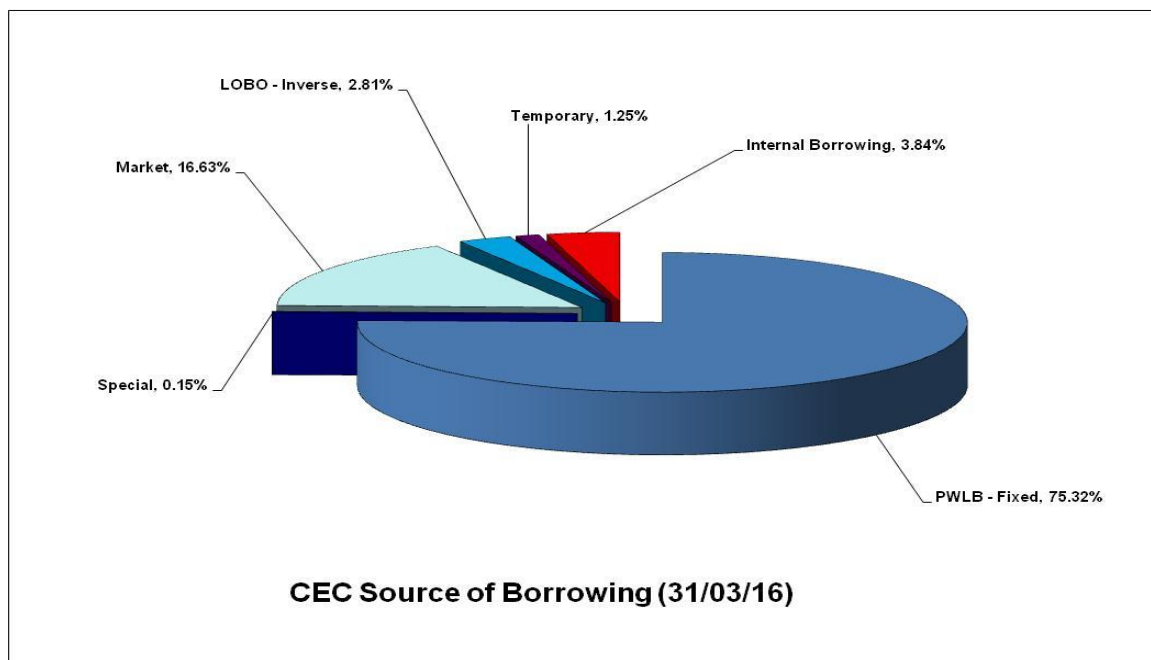
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

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 of £23.474m (2014/15 £23.511m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BID). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket, Queensferry Ambition and Edinburgh's West End.

	2015/16 £000	2014/15 £000
Monies to be recovered from ratepayers at 1 April	190	29
BID Levy Income	3,637	2,389
Less: Payments made / due to schemes	<u>(3,478)</u>	<u>(2,228)</u>
Monies still to be recovered from ratepayers at 31 March	<u>349</u>	<u>190</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.

The financial results of the fund are as follows:	31.03.16	31.03.15
	£000	£000
Income	(27)	(25)
Expenditure	7	1
Assets	6,173	6,198
Liabilities	0	0

- **Lauriston Castle (Scottish Charity Reg. No. SC020737)**

The purpose of the fund is for the advancement of arts, heritage and culture linked to Lauriston Castle.

The financial results of the fund are as follows:	31.03.16	31.03.15
	£000	£000
Income	(1)	(1)
Expenditure	1	1
Assets	7,039	7,041
Liabilities	0	0

- **Edinburgh Education Trust (Scottish Charity Reg No SC042754)**

The purposes of the Trust include the advancement of education, citizenship and community development, and the organisation of recreational activities.

The financial results of the fund are as follows:	31.03.16	31.03.15
	£000	£000
Income	(21)	(21)
Expenditure	17	5
Assets	852	886
Liabilities	0	0

47.2 The funds are:

Scottish Registered Charities	Scottish	Market Value	Market Value
	Charity Registration Number	31.03.16 £000	31.03.15 £000
Lauriston Castle	SC020737	7,039	7,041
Jean F. Watson	SC018971	6,173	6,198
Edinburgh Education Trust	SC042754	852	886
Nelson Halls	SC018946	214	224
Boyd Anderson	SC025067	118	120
Usher Hall Appeal	SC030180	68	70
Royal Scots Memorial Trust	SC018945	30	33
Total market value		<u>14,494</u>	<u>14,572</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.3 Financial Position of the Scottish Registered Charity Funds

2014/15 Income and Expenditure Account	2015/16
£000	£000
Income	
(64) Investment income	(54)
<u>0</u> Other non-investment income	<u>(2)</u>
(64)	(56)
Expenditure	
10 Prizes, awards and other expenses	24
<u>9</u> Governance Costs	<u>13</u>
19	37
<u>(45)</u> Surplus for the year	<u>(19)</u>
2014/15 Balance Sheet	
£000	
Long-Term Assets	
1,940 Investments	1,843
5,232 Artworks - Jean Watson Trust	5,232
<u>7,020</u> Heritable property	<u>7,020</u>
14,192 Total Long-Term Assets	14,095
Current Assets	
<u>413</u> Cash and bank	<u>420</u>
413	420
Current Liabilities	
<u>(33)</u> Creditors	<u>(21)</u>
(33)	(21)
<u>14,572</u> Total Assets less Liabilities	<u>14,494</u>
Funds	
4,301 Capital at 1 April	3,194
45 Surplus for the year	19
140 Realised and unrealised gains on investments	0
0 Realised and unrealised losses on investments	(97)
<u>(1,292)</u> Surplus Fire Fund Transfer to EVOT	<u>0</u>
3,194	3,116
<u>11,378</u> Revaluation reserve	<u>11,378</u>
<u>14,572</u> Funds at 31 March	<u>14,494</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

2014/15 Income and Expenditure Account		2015/16
£000	Income	£000
0	Investment income	0
0		0
Expenditure		
1	Administrative expenses	1
1		1
1	(Surplus) / Deficit for the year	1
Re-stated		
2014/15 Balance Sheet		2015/16
£000	Current Assets	£000
48	Cash and bank	45
48		45
Current Liabilities		
(3)	Balance with City of Edinburgh Council	(1)
(3)		(1)
45	Total Assets less Liabilities	44
46	Capital at 1 April	45
(1)	Deficit for the year	(1)
0	Compensation fund paid	0
45	Capital at 31 March	44

48. Scottish Cities Alliance

The Scottish Cities Alliance was created in 2012 to promote collaboration between Scotland's cities and the Scottish Government to grow city economies, create jobs and deliver benefits across the country. Total Scottish Government investment funding of £7m has been provided to take forward a range of relevant initiatives. The Council undertakes, on an agency basis, the associated financial administration. During the year, £0.9m was paid out to the respective lead authorities of the projects concerned.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		4,819		6,045
Contribution from Scottish Government		90		90
Investment income		17		21
Less: Payments made:				
Aberdeen City Council	(4)		(64)	
City of Edinburgh Council	(4)		(749)	
Dundee City Council	0		(140)	
Glasgow City Council	(409)		(367)	
Highland Council	(37)		(15)	
Perth and Kinross Council	(102)		(2)	
Stirling Council	(344)		0	
		(900)		(1,337)
Contribution to SCDI				
2014/15	(90)		0	
2015/16	(90)		0	
		(180)		0
Balance as at 31 March		3,846		4,819

As of April 2016, the Alliance had approved total project funding allocations of £4.66m (£3.96m April 2015), covering a range of initiatives spanning the areas of Infrastructure, Investment Promotion, Low Carbon and Smart Cities.

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 2014/15, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The 31 March 2014 and 31 March 2015 Balance Sheets and 2014/15 comparative figures have been restated in this statement of accounts to reflect these adjustments.

- **Re-categorisation of long-term debtors**

In 2010/11 the Council approved a shared equity scheme to help buyers purchase homes from PARC, to which the Council provided funding of £0.484m. A prior period adjustment has been made to re-categorise this to long-term debtors from the Capital Adjustment Account.

The Council approved an assisted purchase initiative administered on their behalf to advance monies to home owners to assist with property repairs. Loans were made between 2007 and 2012 and were recorded through the Capital Adjustment Account, with an original loan principal value of £0.762m. A prior period adjustment has been made to re-categorise this to long-term debtors and include estimated valuation increases in proportion to the property values.

- **Re-statement of housing rent**

A prior year adjustment has been made to record an understatement of HRA rental income since 2012, due to a system interface error. The prior year adjustment recognises the income in the long and short-term debtors and the renewal and repairs reserve.

- **Re-classification of creditor**

The Council received monies as a contribution towards the development of the additional function space at EICC. These monies were repayable in the event of a future sale and should therefore have been accounted for on this basis. A prior year adjustment has been made to record this as a creditor.

Group Account Changes

- **Lothian Valuation Joint Board - Re-categorisation of Creditor balance**

The Board previously carried forward unspent requisitions in the form of a creditor balance which was contrary to the Valuation Joint Boards (Scotland) Order 1995. Within the Group accounts these are included in Liabilities in Associates and Joint Ventures.

Unspent requisition balances have now been recorded in the form of a usable reserve.

49.2 Impact on Financial Statements

Movement in Reserves Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	Lothian Valuation Board £000	2014/15 Re-stated £000
<u>Balance at 31 March 2014</u>						
General Fund Balance	123,309	1	0	0	0	123,310
Renewal and Repairs Fund	21,936	0	568	0	0	22,504
Capital Fund	25,835	0	0	(3,456)	0	22,379
Council's Total Usable Reserves	173,074	1	568	(3,456)	0	170,187
Group Usable Reserves	23,192	0	0	0	258	23,450
Total Usable Reserves	196,266	1	568	(3,456)	258	193,637
Council's Unusable Reserves	1,612,466	1,246	0	(5,915)	0	1,607,797
Total Reserves	1,917,681	1,246	568	(9,370)	258	1,910,383
<u>Surplus on (deficit) on provision of service</u>						
General Fund Balance	(4,301)	47	0	(750)	0	(5,004)
HRA Balance	17,476	0	461	0	0	17,937
Council's Total Usable Reserves	13,175	47	461	(750)	0	12,933
Group Usable Reserves	6,350	0	0	0	108	6,458
Total Usable Reserves	19,525	47	461	(750)	108	19,391
Total Reserves	19,525	47	461	(750)	108	19,391

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Movement in Reserves Statement - continued	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	Valuation Board £000	2014/15 Re-stated £000	
<u>Transfers (to) / from other statutory reserves</u>							
General Fund Balance	(9,161)	0	0	750	0	(8,411)	
HRA Balance	(2,503)	0	(461)	0	0	(2,964)	
Renewal and Repairs Fund	12,868	0	461	0	0	13,329	
Capital Fund	(1,206)	0	0	(750)	0	(1,956)	
		2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	2014/15 Re-stated £000	
<u>Balance at 31 March 2015</u>							
General Fund		117,476	48	0	0	117,524	
Renewal and Repairs Fund		34,804	0	1,029	0	35,833	
Capital Fund		35,927	0	0	(4,206)	31,721	
Council's Total Usable Reserves		192,556	48	1,029	(4,206)	189,427	
Council's Unusable Reserves		1,453,756	1,246	0	(5,915)	1,449,087	
Group Comprehensive Income and Expenditure Statement				Council 2014/15 Statements £000	Lothian Valuation Board £000	2014/15 Re-stated £000	
Housing Revenue Account				(32,830)	(461)	0	-33,291
Associates and Joint Ventures Accounted for on an Equity Basis				1,966	0	(108)	1,858
Cost of Services				925,098	(461)	(108)	924,529
Financing and investment income				91,300	703	0	92,003
Surplus on provision of service				(19,525)	242	(108)	-19,391
Total Comprehensive Expenditure				162,456	242	(108)	162,590
Council Comprehensive Income and Expenditure Statement		2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	2014/15 Re-stated £000	
Housing Revenue Account		(32,830)	0	(461)	0	(33,291)	
Cost of Services		932,710	0	(461)	0	932,249	
Financing and investment income		91,625	(47)	0	750	92,328	
Surplus on provision of service		(13,175)	(47)	(461)	750	(12,933)	
Total Comprehensive Expenditure		139,228	(47)	(461)	750	139,470	

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Balance Sheet Statement	2014/15 Statements £000	Council Adjustment (see below) £000	Lothian Valuation Board £000	2014/15 Re-stated £000
Long-term assets				
- Long-term debtors	113,146	1,893	0	115,039
Current assets				
- Short-term debtors	82,940	430	0	83,370
Current liabilities				
- Short-term creditors	(169,986)	(10,121)	0	(180,107)
Long-term liabilities				
- Liabilities in Associates / Joint Ventures	(9,087)	0	364	(8,723)
Net assets	1,755,227	(7,798)	364	1,747,793
Revaluation Reserve	911,395	(5,509)	0	905,886
Capital Adjustment Account	1,339,227	840	0	1,340,067
Unusable Reserves	1,552,863	(4,669)	0	1,548,194
Capital Fund	35,927	(4,206)	0	31,721
Renewal and Repairs Fund	34,804	1,029	0	35,833
General Fund	117,476	48	0	117,524
Group Usable Reserves	9,808	0	364	10,172
Usable Reserves	202,364	(3,129)	364	199,599
Total reserves	1,755,227	(7,798)	364	1,747,793

Group Balance Sheet Statement	2013/14 Statements £000	Council Adjustment (see below) £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Long-term assets				
- Long-term debtors	95,766	1,022	0	96,788
Current assets				
- Short-term debtors	123,600	794	0	124,394
Current liabilities				
- Short-term creditors	(173,775)	(9,372)	0	(183,147)
Long-term liabilities				
- Liabilities in Associates / Joint Ventures	(5,923)	0	258	(5,665)
Net assets	1,917,681	(7,555)	258	1,910,384
Revaluation Reserve	918,790	(5,712)	0	913,078
Capital Adjustment Account	1,306,580	1,043	0	1,307,623
Unusable Reserves	1,721,415	(4,668)	0	1,716,747
Capital Fund	25,835	(3,456)	0	22,379
Renewal and Repairs Fund	21,936	568	0	22,504
General Fund	123,309	1	0	123,310
Group Usable Reserves	23,192	0	258	23,450
Usable Reserves	196,266	(2,887)	258	193,637
Total reserves	1,917,681	(7,555)	258	1,910,384

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Council Balance Sheet Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	2014/15 Re-stated £000
Long-term assets					
- Long-term debtors	116,646	1,294	599	0	118,539
Current assets					
- Short-term debtors	69,751	0	430	0	70,181
Current liabilities					
- Short-term creditors	(141,325)	0	0	(10,121)	(151,446)
Net assets	1,646,312	1,294	1,029	(10,121)	1,638,514
Revaluation Reserve	911,395	0	0	(5,509)	905,886
Capital Adjustment Account	1,339,227	1,246	0	(406)	1,340,067
Unusable Reserves	1,453,756	1,246	0	(5,915)	1,449,087
Capital Fund	35,927	0	0	(4,206)	31,721
Renewal and Repairs Fund	34,804	0	1,029	0	35,833
General Fund	117,476	48	0	0	117,524
Usable Reserves	192,556	48	1,029	(4,206)	189,427
Total reserves	1,646,312	1,294	1,029	(10,121)	1,638,514

Council Balance Sheet Statement	2013/14 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	2013/14 Re-stated £000
Long-term assets					
- Long-term debtors	99,266	763	258	0	100,287
Current assets					
- Short-term debtors	113,602	484	311	0	114,397
Current liabilities					
- Short-term creditors	(151,613)	0	0	(9,372)	(160,985)
Net assets	1,785,540	1,247	569	(9,372)	1,777,984
Revaluation Reserve	918,790	0	0	(5,712)	913,078
Capital Adjustment Account	1,306,580	1,246	0	(203)	1,307,623
Unusable Reserves	1,612,466	1,246	0	(5,915)	1,607,797
Capital Fund	25,835	0	0	(3,456)	22,379
Renewal and Repairs Fund	21,936	0	568	0	22,504
General Fund	123,309	1	0	0	123,310
Usable Reserves	173,074	1	568	(3,456)	170,187
Total reserves	1,785,540	1,247	568	(9,371)	1,777,984

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Cash Flow Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	L-T Creditor £000	2014/15 Re-stated £000
Operating activities					
- Interest and investment income received	(11,680)	(47)	0	749	(10,978)
Cash inflows form operating activities	(1,937,399)	(47)	0	749	(1,936,697)
- Cash paid to suppliers of goods and services	750,951	0	0	(749)	750,202
Cash outflows from operating activities	1,700,462	0	0	(749)	1,699,713
Net cash flows from operating activities	(236,937)	(47)	0	0	(236,984)
Investing activities					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	183,055	47	0	0	183,102
Council Cash Flow Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	L-T Creditor £000	2014/15 Re-stated £000
Operating activities					
- Interest and investment income received	(11,450)	(47)	0	749	(10,748)
Cash inflows form operating activities	(1,780,277)	(47)	0	749	(1,779,575)
- Cash paid to suppliers of goods and services	695,545	0	0	(749)	694,796
Cash outflows from operating activities	1,565,249	0	0	(749)	1,564,500
Net cash flows from operating activities	(215,028)	(47)	0	0	(215,075)
Investing activities					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	159,177	47	0	0	159,224
Housing Revenue Account Income and Expenditure Statement			2014/15 Statements £000	Housing Rent £000	2014/15 Re-stated £000
Income					
Dwelling rents			(90,840)	(461)	(91,301)
Surplus for the year on HRA services			(17,476)	(461)	(17,937)
Movement on the HRA Statement					
Surplus for the year on the HRA Income and Exp Account			17,476	461	17,937
Contribution to renewal and repairs fund, via the General Fund			(2,503)	(461)	(2,964)

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2016

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

(re-stated)		2015/16	
2014/15		£000	£000
£000	EXPENDITURE		
27,256	Repairs and maintenance	27,765	
21,453	Supervision and management	26,132	
18,266	Depreciation and impairment of non-current assets	23,285	
5,719	Other expenditure	5,609	
1,325	Impairment of debtors	1,073	
<u>74,019</u>			83,864
	INCOME		
(91,301)	Dwelling rents	(93,015)	
(377)	Non-Dwelling rents (gross)	(467)	
<u>(15,632)</u>	Other income	<u>(17,102)</u>	
<u>(107,310)</u>			<u>(110,584)</u>
(33,291)	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(26,720)
319	HRA share of corporate and democratic core		274
72	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,005
<u>(32,900)</u>	Net expenditure / (income) for HRA Services		<u>(25,441)</u>
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
307	(Gain) / loss on sale of HRA fixed assets	(2,247)	
18,936	Interest payable and similar charges	19,021	
2,434	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,494	
(81)	Interest and investment income	(98)	
(1,886)	Interest income on plan assets (<i>pension-related</i>)	(1,858)	
<u>(4,747)</u>	Capital grants and contributions	<u>(7,439)</u>	
<u>14,963</u>			<u>9,873</u>
<u><u>(17,937)</u></u>	Surplus for the year on HRA services		<u><u>(15,568)</u></u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

(re-stated) 2014/15 £000		2015/16 £000
0	Balance on the HRA at the end of the previous year	0
17,937	Surplus for the year on the HRA Income and Exp Account	15,568
(14,973)	Adjustments between accounting basis and funding basis under statute	(13,312)
<u>2,964</u>	Net increase before transfers to reserves	<u>2,256</u>
<u>(2,964)</u>	Contribution to renewal and repairs fund, via the General Fund	<u>(2,256)</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
18,266	Charges for depreciation and impairment of non-current assets	23,285
(4,747)	Capital grants and contributions applied	(7,439)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(23,123)	Statutory provision for the financing of capital investment	(27,328)
(5,649)	Capital funded from revenue	0
	Adjustments primarily involving the Capital Receipts Reserve	
307	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,247)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(460)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(488)
	Adjustments primarily involving the Pensions Reserve	
1,081	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,676
(426)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,693)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(222)	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(78)
<u>(14,973)</u>		<u>(13,312)</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 2016 are as follows:

Types of Houses	2016		2015	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	302	3,726.00	302	3,653.00
2 Apartment	5,459	4,177.00	5,473	4,100.00
3 Apartment	10,145	4,842.00	10,184	4,752.00
4 Apartment	3,426	5,579.00	3,458	5,473.00
5 Apartment	516	6,015.00	521	5,891.00
6 Apartment	9	6,043.00	9	5,924.00
7 Apartment	4	5,854.00	4	5,739.00
8 Apartment	1	5,854.00	1	5,739.00
Mid-market rent dwellings				
2 Apartment	21	5,447.00	6	5,337.00
3 Apartment	75	6,706.00	39	6,878.00
4 Apartment	22	8,430.00	7	7,924.00
	<u>19,980</u>		<u>20,004</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.779m (£5.402m 2014/15) against which a provision amounting to £5.399m (£4.326m 2014/15), has been created in respect of non collectable debts. The 14/15 figure has been restated by £1.029m as a result of a prior year adjustment to record an understatement of HRA rental income since 2012, due to a system interface error.
- Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.
- The total value of uncollectable void rents for main provision properties was £0.464m (2014/15 £0.545m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

for the year ended 31 March 2016

2014/15 £000		2015/16 £000	£000
(297,767)	Gross council tax levied and contributions in lieu		(300,827)
48,938	Less: - Exemptions and other discounts	49,860	
8,333	- Provision for bad debts	7,956	
25,785	- Council Tax Reduction Scheme	24,255	
2,107	- Other reductions	2,689	
<u>85,163</u>		<u>84,760</u>	
(212,604)			(216,067)
<u>(307)</u>	Previous years' adjustments		<u>(324)</u>
<u>(212,911)</u>	Total transferred to General Fund		<u>(216,391)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.1% (2014/15 95.4%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A Council Tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is a second home. Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2015/16

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	23,248	79	(3,209)	(3,452)	16,666	6/9	11,111	£779.33
B £27,001 - £35,000	47,011	68	(3,728)	(6,904)	36,447	7/9	28,348	£909.22
C £35,001 - £45,000	43,969	(23)	(3,247)	(5,439)	35,260	8/9	31,342	£1,039.11
D £45,001 - £58,000	37,823	61	(2,845)	(4,123)	30,916	9/9	30,916	£1,169.00
E £58,001 - £80,000	40,177	(24)	(3,383)	(3,682)	33,088	11/9	40,441	£1,428.78
F £80,001 - £106,000	24,402	(38)	(1,343)	(1,955)	21,066	13/9	30,429	£1,688.56
G £106,001 - £212,000	20,893	(93)	(531)	(1,244)	19,025	15/9	31,708	£1,948.33
H Over £212,000	3,910	(30)	(146)	(191)	3,543	18/9	7,086	£2,338.00
							211,381	
							499	
							(6,738)	
							<u>205,142</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 2016

2014/15		2015/16	
£000		£000	£000
(439,173)	Gross rates levied and contributions in lieu		(444,260)
82,712	Less: - Reliefs and other deductions	85,276	
4,588	- Uncollectable debt written off and provision for impairment	<u>4,752</u>	
<u>87,300</u>			<u>90,028</u>
(351,873)			(354,232)
<u>7,684</u>	Previous years' adjustments		<u>13,161</u>
<u>(344,189)</u>	Net Non-Domestic Rates Income		<u>(341,071)</u>
	Allocated to:		
(344,628)	Contribution to National Non-Domestic Rates Pool		(341,540)
439	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		469
<u>(344,189)</u>			<u>(341,071)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2015

	Number	Rateable Value £000
Shops, offices and other commercial subjects	14,174	647,392
Industrial and freight transport	2,731	73,733
Telecommunications	9	25
Public service subjects	354	49,186
Miscellaneous	<u>2,734</u>	<u>141,443</u>
	<u>20,002</u>	<u>911,779</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £341.540m (2014/15 £344.628m) is the non-domestic rates contributed by the Council through pooling arrangements for government grant purposes. The amount distributed to the Council under these arrangements was £390.862m (2014/15 £364.108m).

With effect from 2011/12, authorities retain in full the income raised locally up to the baseline level assumed in the Local Government Financial Settlement. Any variation from this assumed level is then met by means of a corresponding transfer of funds to or from the Scottish Government.

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 48.0p per £ in 2015/16 (2014/15 47.1p per £).

Properties with a rateable value greater than £35,000 (2014/15 £35,000) had their rate charges calculated using the poundage of 49.3p per £ (2014/15 48.2p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

100% Relief	below	£10,000
50% Relief	£10,001 to	£12,000
25% Relief	£12,001 to	£18,000
Upper limit for combined rateable value		£35,000

COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

During 2015/16, the Council acquired Custom House, 69 Commercial Street, Leith for £671,540 to use the building as a museum for the benefit of Leith and the wider city. In addition to the acquisition of Custom House, the Council generated two capital receipts for the Common Good. Cathedral Lane was sold with a receipt of £108,000 and land at Granton Road was sold with a receipt of £51,480, both of which were credited to the Common Good Fund. There has been no reduction in the value of the existing Common Good assets in year.

The sale of East Market Street garage as part of package of properties was completed in 2014/15. The Common Good account was credited with a receipt of £1.182m. The receipt, net of costs associated with the disposal, was transferred to the Common Good fund and will be utilised to fund a planned property maintenance programme on Common Good assets as agreed at the January 2016 Finance and Resources Committee. The resulting balance of the Common Good Fund is £2.297m as at 31 March 2016. (£1.654m 2014/15).

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Property Maintenance Fund £000	FFF Earmarked Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2015/16 Movements						
Balance at 31 March 2015	1,654	0	1,182	(22)	21,860	24,674
Movement in reserves during 2015/16						
(Deficit) / Surplus on the provision of service	(538)	0	0	0	0	(538)
Revaluation Reserve	0	0	0	0	134	134
Total Comprehensive Income and Expenditure	(538)	0	0	0	134	(404)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	(538)	0	0	0	134	(404)
Transfer (to) / from reserves	(818)	2,000	(1,182)	0	0	0
Increase / (decrease) in year	(1,356)	2,000	(1,182)	0	134	(404)
Balance at 31 March 2016	298	2,000	0	(22)	21,994	24,270

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 Comparative Data					
Balance at 31 March 2014	<u>1,650</u>	<u>0</u>	<u>(20)</u>	<u>23,928</u>	<u>25,558</u>
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>(885)</u>	<u>(885)</u>
Total Comprehensive Income and Expenditure	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
Net increase / decrease before transfers to earmarked reserves	1,186	0	(2)	(2,068)	(884)
Transfer (to) / from reserves	<u>(1,182)</u>	<u>1,182</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / (decrease) in year	<u>4</u>	<u>1,182</u>	<u>(2)</u>	<u>(2,068)</u>	<u>(884)</u>
Balance at 31 March 2015	<u>1,654</u>	<u>1,182</u>	<u>(22)</u>	<u>21,860</u>	<u>24,674</u>

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 £000	2015/16 £000	£000
EXPENDITURE		
44 Common Good Fund	38	
44 TOTAL EXPENDITURE	38	
INCOME		
0 TOTAL INCOME	0	
44 COST OF SERVICES		38
(1,218) (Gain) / Loss on disposal of Fixed Assets	511	
(2) Income from redemption of investment bonds	0	
(10) Interest and investment income	(11)	
(1,230) Other Comprehensive Income and Expenditure		500
(1,186) (Surplus) / Deficit on Provision of Services		538
885 (Surplus) / Deficit on revaluation of non-current assets	(134)	
<u>(301) TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</u>		<u>404</u>

COMMON GOOD FUND - BALANCE SHEET

31 March 2015 £000		31 March 2016 £000	£000
<u>21,757</u>	Community Assets	<u>21,892</u>	
<u>21,757</u>	Property, Plant and Equipment		21,892
103	Heritage Assets	103	
<u>0</u>	Long-term Investments	<u>0</u>	
<u>103</u>	Long-term Assets		103
2,756	Short-Term Investments	322	
<u>58</u>	Cash and Cash Equivalents	<u>1,953</u>	
<u>2,814</u>	Current Assets		<u>2,275</u>
<u>24,674</u>	Net Assets		<u>24,270</u>
21,860	Revaluation Reserve	21,994	
<u>(22)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>21,838</u>	Unusable Reserves		21,972
1,654	Common Good Fund	298	
<u>1,182</u>	Earmarked Reserve	<u>2,000</u>	
<u>2,836</u>	Usable Reserves		<u>2,298</u>
<u>24,674</u>	Total Reserves		<u>24,270</u>

The unaudited accounts were issued on 24 June 2016. The audited accounts were authorised for issue on 29 September 2016.

HUGH DUNN, CPFA
Acting Executive Director of Resources
29 September 2016

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 2015	21,757	21,757	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	135	135	0
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
Accumulated Depreciation			
At 1 April 2015	0	0	0
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value			
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
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>
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>

1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2016 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	18

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 132).

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.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance at 1 April		21,860		23,928
Upward revaluation of assets	134		412	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		(1,297)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		134		(885)
Derecognition of asset disposals				(1,183)
Balance at 31 March		<u>21,994</u>		<u>21,860</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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(22)	(20)
Adjustment for revaluation of Government investment bonds	<u>0</u>	<u>(2)</u>
Balance at 31 March	<u>(22)</u>	<u>(22)</u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement outlines how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 39 of the Accounts.

The Group's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. Internal Audit has also reviewed the annual assurance questionnaire process in relation to Arms-Length Companies and has found that this provides the Chief Executive with a level of assurance on the adequacy of the governance arrangements. The Council's Corporate governance framework meets the principles of effective governance.

The key elements of the framework are set out below:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2016-2020. The plan forms part of a single planning and performance framework that connects the strategic vision of the Council and its partners to the detailed operational plans which guide the delivery of our frontline services, and the Community Plan for the delivery of services in our communities. Audit Scotland has reported its view that "the Council has a clear strategy for changing the way that it delivers services, reducing its workforce, and achieving substantial financial savings."
- The Edinburgh Partnership Community Plan 2015-2018 sets out the shared objectives of the Council and its community planning partners and details their vision, strategic priorities and intended outcomes for the Edinburgh area, its citizens and service users. The Edinburgh Partnership Community Plan 2015-2018 has been agreed by the Council and community planning partners. There are nine strategic partnerships and twelve Neighbourhood Partnerships, which all form part of the Edinburgh Partnership and help deliver the community plan and neighbourhood plans.
- Governance arrangements for the Edinburgh Partnership Community Plan include the Edinburgh Partnership Board to lead the Partnership and be responsible for its effectiveness; a Partnership Executive to act as a vehicle for wider advice, consultation, involvement and communication; and designated strategic partnerships for delivery of intervention and prevention areas.

ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- Empowered communities. The Council has created four localities and is using these to restructure and deliver a range of frontline services. This will ensure integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. This is underpinned by formal local community planning arrangements to support and engage with community planning groups and Community Councils, joint working locality teams and Locality Community Plans.
- The Council's long term financial plan sets out how pressures arising from demographic change, inflation and legislative reform, coupled with reducing real-terms resource levels, will need to be addressed on a sustainable basis whilst still meeting the needs of our customers. This is aligned to a re-design of our service structures to make them more efficient and a transformation of the way that services are provided. Audit Scotland noted in February 2016 that "the Council has made substantial progress in developing its longer-term savings plans" and a four year budget framework and business plan which sets out how it is proposed to deliver a balanced budget until 2018/19 has been agreed by Council. Audit Scotland also confirmed that "there is growing evidence that these savings are being achieved."
- Our programme of transformation focuses efforts on achieving priority outcomes by reducing internal business costs, applying channel shift to reduce the cost of simple transactions and enabling customers and staff to do more through self service.
- A performance management framework, incorporating internal and public performance reporting, which focuses on continuous improvement of our services, applying reliable improvement methods to ensure that services are consistently well designed based on the best evidence and are delivered on a right first time basis. Audit Scotland has specifically complimented progress in stating that "the introduction of regular performance 'dashboard' reports is a step forward in summarising complex issues, such as workforce reductions and savings plans, and highlighting areas of concern." They further noted that "Members are provided with regular progress reports and updates on the various strands of the Council's transformation programme and savings plans."
- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. Focused work is underway to further improve standards in buying practices and processes across the Council and in mainstreaming a consistent and commercial approach to maximising income from our assets and services.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Team, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management and overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Chief Finance Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.

ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- The Council's Governance and Democratic Services Manager, reporting to the Head of Strategy and Insight, has responsibility for advising the Council on corporate governance arrangements.
- The Governance, Risk and Best Value Committee provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides independent scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk based plan, and monitors performance of the internal audit service.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Team and Governance, Risk and Best Value Committee for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of Elected Members' salaries, allowances and expenses is published on the Council's website.
- The Council's Governance and Democratic Services Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.
- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations. Under the mandatory policy awareness programme it is an annual requirement that officers confirm their awareness and understanding of these key policies.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to identify and prioritise risks to the achievement of the Group's objectives. These arrangements were in place throughout the year and up to the signing of the Accounts.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services Manager has reviewed the effectiveness of the Code and the result was reported to the Governance, Risk and Best Value Committee in August 2016.

The Council's Governance and Democratic Services manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. Governance arrangements will continue to be monitored and self assessment information provided to the Governance, Risk and Best Value Committee on an annual basis.

ANNUAL GOVERNANCE STATEMENT

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal and Risk (Interim) but had free access to the Chief Executive, all Executive Directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

The Chief Internal Auditor and Council's Head of Strategy and Insight (Interim) have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Team which develops and maintains the governance environment;
- The certified annual assurance statements provided by all Executive Directors;
- The certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies;
- Council officers' management activities;
- The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- An annual review by the Council's Governance and Democratic Services Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- Reports by external, statutory inspection agencies.

In compliance with standard accounting practice, the Chief Finance Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2016. It is the Chief Finance Officer's opinion that reasonable assurance can be placed upon its effectiveness.

Each Executive Director has reviewed the arrangements in his / her service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered any relevant third party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement with these organisations. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council. Indeed, Internal Audit have reported that "The Council is on a journey of improvement with regard to the governance, risk management and internal control framework of the Council." Improvements are, however, required to enhance the adequacy and effectiveness of governance, risk management and control. In particular, these reviews have identified the following actions, which have been incorporated with the Council's Business Plan and service plans, to continue to develop in the following activities:-

By the Council:

- To continue to mitigate risks – faced by all councils – regarding uncertainties around future funding and service demands - the Council's expenditure and income assumptions will continue to be reviewed on an at-least quarterly basis, with a particular emphasis on developing transformational and preventative initiatives delivering sustainable savings as part of a longer-term framework;
- To continue to mitigate risks inherent in the Council's major projects portfolio and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the projects; The major projects area is being refreshed and a new model and unit developed that will adopt a best-practice portfolio management approach to the management, delivery and governance of programmes and projects across the Council;

ANNUAL GOVERNANCE STATEMENT

- To continue to mitigate risks inherent in the Council's transformation programme and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the programme. A Programme Management Office (PMO) has been put in place for the Transformation Programme to support delivery and among its functions it will closely monitor and manage risk and escalate wherever risk tolerances are exceeded;
- To deliver savings and improve service delivery through our Asset Management Strategy. Governance and implementation will be delivered by a Project Management Board that reports to the Council Leadership Team every month and the Finance and Resources committee every two cycles;
- To address recommendations within the internal audit reports issued in 2015/16 with a specific focus on addressing unresolved recommendations. All open audit actions will be reported to the Corporate Leadership Team on a monthly basis;
- To implement action plans agreed with external inspection agencies (Service lead - All);
- To continue to mitigate risks surrounding the delivery of the integrated care programme in respect of Adult Social Care; (Service lead - Chief Officer Edinburgh Health and Social Care Partnership/All); and
- To implement all other actions identified by Executive Directors in statements of assurance (Service lead - All).

By the Group:

- long-term financial planning and links to outcomes; and
- embedding and building on recent structural changes and improvements in governance arrangements to take advantage, as appropriate, of improved economic conditions.

The proposed improvements do not indicate any significant gaps or weaknesses in the existing governance framework.

Certification

It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

ANDREW KERR
Chief Executive

ANDREW BURNS
Council Leader

HUGH DUNN
Acting Executive Director of
Resources

29 September 2016

29 September 2016

29 September 2016

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 142 to 153 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 Councillors' remuneration, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2015/16, the remuneration for the Leader of the City of Edinburgh Council was £50,180. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2015/16 this was £37,635. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of Senior Councillors shall not exceed £652,340. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below. Posts in italics were remunerated until the dates shown.

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Children and Families, Culture and Sport, Economy, Education, 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 Children and Families, Culture and Sport, Economy, Education, 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%

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.

REMUNERATION REPORT

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/148 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2015 to March 2017. Circular CO/148 provides a revised Scheme of Salaries and Conditions of Service for Chief Officials.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Executive Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether there is to be an annual pay increase applied to the national salary points, and at what level, for Chief Executive and Chief Officer posts is made by the SJNC for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care was a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employed the post holder directly. The Integration Joint Board Chief Officer is a joint appointment and the terms and conditions, including pay for the post, are set by the Council, who employ the post holder directly. The appropriate costs are then recharged to NHS Lothian and the Integration Joint Board.

The Council's role in determining the remuneration policies for its companies is currently under review.

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Details on roles held by Councillors are set out on pages 143 and 144. 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.

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
Council's Leader, Civic Head and Senior Councillors					
A. Burns, Leader of the Council	50,180	0	256	50,436	49,897
D. Wilson, Lord Provost	37,635	0	827	38,462	37,882
S. Cardownie, Depute Leader of the Council (<i>until 12.03.15</i>), <i>Depute Convener (from 28.05.15) (Note 1)</i>	23,786	44	417	24,247	35,163
S. Howat, Depute Leader of the Council (<i>from 12.03.15 until 09.03.16</i>) and Vice Convener Planning (<i>until 12.03.15</i>)	36,398	0	732	37,130	23,873
F. Ross, Convener of Economy (<i>until 09.03.16</i>) Depute Leader (<i>from 10.03.16</i>)	32,914	0	626	33,540	34,560
D. Brock, Depute Convener (<i>until 18.05.15</i>)	4,843	0	17	4,860	25,235
R. Lewis, Convener of Culture and Sport	32,617	0	248	32,865	34,127
P. Godzik, Convener Education, Children and Families	32,617	0	638	33,255	32,561
A. Rankin, Convener Finance and Resources	32,617	23	807	33,447	33,004
R. Henderson, Convener Health, Social Care and Housing	32,617	0	726	33,343	33,002
I. Perry, Convener Planning	32,617	0	214	32,831	32,481

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
Council's Leader, Civic Head and Senior Councillors					
G. Barrie, Convener Regulatory (<i>until 09.03.16</i>) Convener Economy (<i>from 10.03.16</i>)	32,617	0	151	32,768	33,002
L. Hinds, Convener Transport and Environment	32,617	0	758	33,375	33,557
E. Milligan, Convener Licensing Board	30,108	179	0	30,287	30,482
M. Child, Convener Communities and Neighbourhoods	22,581	0	96	22,677	22,452
J. Balfour, Convener Governance, Risk and Best Value	25,090	0	351	25,441	25,282
M. Bridgman, Convener Police and Fire Scrutiny (<i>until 09.03.16</i>) Convener Regulatory (<i>from 10.03.16</i>)	20,814	706	136	21,656	20,567
W. Henderson, Convener Police and Fire Scrutiny (<i>from 10.03.16</i>)	16,924	0	96	17,020	n/a
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,581	0	0	22,581	22,357
G. Munro, Vice Convener of Economy	22,581	0	752	23,333	23,065
C. Fullerton, Vice Convener Education, Children and Families	22,581	0	111	22,692	22,501
B. Cook, Vice Convener Finance and Resources	22,581	0	0	22,581	22,357
C. Day, Vice Convener Health, Social Care and Housing	22,581	0	47	22,628	22,851
A. Blacklock, Vice Convener Regulatory	22,581	0	805	23,386	23,115
A. McVey, Vice Convener Transport and Environment	22,581	0	726	23,307	23,065
D. Dixon, Vice Convener Planning (<i>from 12.03.15 until 09.03.16</i>)	22,235	135	101	22,471	17,386
A. Lunn, Vice Convener Planning (<i>from 10.03.16</i>)	17,072	0	724	17,796	n/a
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	25,090	0	0	25,090	24,940
S. Burgess, Green Group Leader	25,090	0	936	26,026	25,774
Councillors					
N Work, Convener Lothian Valuation Joint Board (<i>Note 2</i>)	20,909	103	1,696	22,708	21,670

Notes:

1. The 2014/15 salary for S Cardownie has been restated as the change in role was only processed in 2015/16.
2. The amount recharged to Lothian Valuation Joint Board in 2015/16 was £4,183 (2014/15 £4,142). 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):

	2015/16	2014/15
	£	£
Salaries	1,271,704	1,266,880
Expenses		
Claimed by councillors	1,723	2,486
Paid directly by the Council	<u>27,072</u>	<u>28,732</u>
Total	<u>1,300,499</u>	<u>1,298,098</u>

Remuneration paid to Senior Officers	Salary, Fees and Allowances	Compensation for Loss of Office	Total Remun. 2015/16	Total Remun. 2014/15
	£	£	£	£
Council's Senior Officers				
A. Kerr, Chief Executive (<i>from full year equivalent</i>)	111,652	0	111,652 <i>164,168</i>	n/a
S. Bruce, Chief Executive (<i>until full year equivalent</i>)	67,392	0	67,392 <i>161,741</i>	161,741
A. Maclean, Deputy Chief Executive (<i>full year equivalent</i>)	110,881	0	110,881 <i>147,427</i>	134,760
G. Tee, Director Children and Families (<i>until 31.12.15 full year equivalent</i>)	145,816	0	145,816 <i>147,427</i>	143,505
A. Gaw, Acting Director of Communities and Families (<i>from 05.01.16 full year equivalent</i>)	35,272	0	35,272 <i>148,901</i>	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>from 26.10.15 full year equivalent</i>)	31,903	0	31,903 <i>74,451</i>	n/a
P. Gabbitas, Director Health and Social Care (<i>until 31.07.15 full year equivalent</i>)	24,587	0	24,587 <i>82,928</i>	65,202
P. Lawrence, Executive Director of Place (<i>from 30.11.15 full year equivalent</i>)	49,552	0	49,552 <i>148,901</i>	n/a
J. Bury, Acting Director Services for Communities (<i>from 08.05.14 until 18.10.15 full year equivalent</i>)	67,380	0	67,380 <i>134,760</i>	120,994 <i>134,760</i>
G. Ward, Director of Economic Development (<i>until 30.11.15 full year equivalent</i>)	79,390	0	79,390 <i>127,758</i>	99,747
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	101,243	0	101,243	99,747

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
Council's Senior Officers				
H. Dunn, Head of Finance (<i>until 05.01.16</i>) and Acting Executive Director of Resources (<i>from 06.01.16</i>)	116,241	0	116,241	105,003
M. Boyle, Head of Older People and Disability Service (<i>until 31.01.16</i>)	90,436	122,076	212,512	n/a
G. Crosby, Senior Manager Disabilities (<i>until 31.01.16</i>)	74,293	91,870	166,163	n/a
P. Campbell, Senior Manager Older People (<i>until 31.01.16</i>)	77,371	87,199	164,570	n/a
M. Turley, Director Services for Communities (<i>until 30.06.14</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	69,118
			n/a	134,760
Total	<u>1,183,409</u>	<u>301,145</u>	<u>1,484,554</u>	<u>999,817</u>

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. A Kerr received £408 for Returning Officer Duties in 2015/16.
2. A. Kerr was appointed Chief Executive in July 2015. Salaries shown for A. Kerr and S. Bruce relate to the responsibilities as shown.

H. Dunn was appointed Acting Executive Director of Resources in January 2016. Salaries shown for H. Dunn and A. Maclean relate to the responsibilities as shown.

J. Bury was appointed Acting Director of Services for Communities in May 2014, with P. Lawrence appointed Executive Director of Place in November 2015. Salaries shown for J. Bury and P. Lawrence relate to the responsibilities as shown.

A. Gaw was appointed Acting Director of Communities and Families in January 2016. Salaries shown for A. Gaw and G. Tee relate to the responsibilities as shown.

R. McCulloch-Graham was appointed Integration Joint Board Chief Officer in October 2015. Salaries shown for R. McCulloch-Graham and P. Gabbitas relate to the responsibilities as shown.
3. P. Gabbitas was employed by NHS Lothian and 50% of his salary costs were recharged to the Council. The above figures therefore show the Council's share. R. McCulloch-Graham was employed by the Council with 50% of his salary costs reflected above.
4. Pay in lieu of notice is included within Salary, Fees and Allowances where applicable.

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

Council Subsidiary Companies

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2015 and 2014 respectively.

	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Total Remun. 2015/16 £	Restated Total Remun. 2014/15 £
Council's Subsidiary Companies					
E. Adair, Operations and Finance Director, EDI Group	103,458	0	2,286	105,744	104,129
H. Rissmann, Chief Executive, EICC (until 31.03.15) (full year equivalent)	51,665	0	0	51,665 170,191	158,034
M. Dallas, Chief Executive, EICC (from 01.10.14) (full year equivalent)	131,950	26,520	0	158,470	32,500 130,000
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (Note 2)	116,600	0	0	116,600	116,600
J. Rafferty, Chief Executive, Capital City Partnership	72,795	0	0	72,795	71,720
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	78,384	0	0	78,384	n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	197,997	0	13,209	211,206	199,526
W. Campbell, Operations Director	114,831	0	1,245	116,076	155,224
W. Devlin, Engineering Director (Note 3)	154,804	46,441	2,262	203,507	202,614
N. Strachan, Finance Director (Note 3)	154,804	46,441	681	201,926	201,158
G. Hughes, HR Director (Note 3)	n/a	n/a	n/a	n/a	198,309
<u>Edinburgh Trams Ltd.</u>					
T. Norris, Director and General Manager (until 26.06.15) (full year equivalent)	39,838	0	3,636	43,474 80,705	91,835
	<u>1,217,126</u>	<u>119,402</u>	<u>23,319</u>	<u>1,359,847</u>	<u>1,531,649</u>

Notes:

- Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. Others benefits paid relate to car allowance and personal healthcare within Edinburgh Trams Ltd.
- Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £116,600 in 2015/16, of which £6,600 is VAT (2014/15 £116,600, £6,600).
- W Devlin and N Strachan were paid a bonus for 2014 in 2016, hence the restatement of the figures for that financial year. G Hughes was paid an exit package of £85,779 in February 2015.
- The only director to be remunerated by Edinburgh Trams was T. Norris. Following his departure, I. Craig was the most senior officer in Edinburgh Trams up to and beyond the reporting date. His costs for the period are included within Lothian Buses.

REMUNERATION 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.

	2015/16	2014/15		2015/16	2014/15
£50,000 - £54,999	192	203	£135,000 - £139,999	1	0
£55,000 - £59,999	139	94	£140,000 - £144,999	1	1
£60,000 - £64,999	58	31	£145,000 - £149,999	1	0
£65,000 - £69,999	46	32	£150,000 - £154,999	0	0
£70,000 - £74,999	29	37	£155,000 - £159,999	0	0
£75,000 - £79,999	32	4	£160,000 - £164,999	1	1
£80,000 - £84,999	12	2	£165,000 - £169,999	1	0
£85,000 - £89,999	7	3	£170,000 - £174,999	0	0
£90,000 - £94,999	3	1	£175,000 - £179,999	0	0
£95,000 - £99,999	4	15	£180,000 - £184,999	0	0
£100,000 - £104,999	9	1	£185,000 - £189,999	0	0
£105,000 - £109,999	3	1	£190,000 - £194,999	0	0
£110,000 - £114,999	3	0	£195,000 - £199,999	0	0
£115,000 - £119,999	2	0	£200,000 - £204,999	0	0
£120,000 - £124,999	2	0	£205,000 - £209,999	0	0
£125,000 - £129,999	1	0	£210,000 - £214,999	1	0
£130,000 - £134,999	0	2			
			Total No. of Employees	548	428

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000	2014/15 £000
£0 - £20,000								
- Council	0	0	203	32	203	32	2,150	267
- Group companies	0	2	0	0	0	2	0	6
£20,001 - £40,000								
- Council	0	0	203	29	203	29	5,741	915
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	70	9	70	9	3,505	419
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	31	3	31	3	2,164	210
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	33	2	33	2	2,939	181
- Group companies	0	0	0	1	0	1	0	86
£100,001 - £150,000								
- Council	0	0	34	6	34	6	3,952	702
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	3	0	3	0	511	0
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	1	0	1	0	203	0
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	2	0	2	0	554	0
- Group companies	0	0	0	0	0	0	0	0
	0	2	580	82	580	84	21,719	2,786

REMUNERATION REPORT

Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2015/16 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £20,500 (2015 £20,235)	5.50%
On earnings above £20,500 and up to £25,000 (2015 £20,235 to £24,853)	7.25%
On earnings above £25,000 and up to £34,400 (2015 £24,853 to £34,096)	8.50%
On earnings above £34,400 and up to £45,800 (2015 £34,096 to £45,393)	9.50%
On earnings above £45,800 (2015 £45,393)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
Council's Leader and Civic Head					
A. Burns, Leader of the Council	10,739	10,582	Pension	6	2
			Lump Sum	3	1
D. Wilson, Lord Provost	8,054	7,937	Pension	4	1
			Lump Sum	2	0
Senior Councillors					
R. Lewis	6,980	6,879	Pension	2	0
			Lump Sum	0	0
F. Ross	7,044	6,879	Pension	2	1
			Lump Sum	0	0
S. Howat	7,789	4,933	Pension	2	1
			Lump Sum	0	0
P. Godzik	6,980	6,879	Pension	4	1
			Lump Sum	2	0
A. Rankin	6,980	6,879	Pension	3	1
			Lump Sum	0	0
R. Henderson	6,980	6,879	Pension	4	1
			Lump Sum	2	0
I. Perry	6,980	6,879	Pension	4	1
			Lump Sum	2	0
G. Barrie	6,980	6,879	Pension	4	1
			Lump Sum	2	0
L. Hinds	6,980	6,879	Pension	6	2
			Lump Sum	6	0
E. Milligan	6,443	6,463	Pension	4	1
			Lump Sum	2	0
M. Child	4,832	4,762	Pension	8	1
			Lump Sum	15	1
M. Bridgman	4,454	4,280	Pension	4	0
			Lump Sum	1	0
W. Henderson	3,622	n/a	Pension	1	n/a
			Lump Sum	0	n/a
N. Austin Hart	4,832	4,762	Pension	3	1
			Lump Sum	1	0
G. Munro	4,832	4,763	Pension	3	0
			Lump Sum	2	0
D. Dixon	4,758	3,594	Pension	1	0
			Lump Sum	0	0

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
A. Blacklock	4,832	4,762	Pension	3	1
			Lump Sum	2	0
A. McVey	4,832	4,762	Pension	2	0
			Lump Sum	0	0
A. Lunn	3,653	n/a	Pension	0	n/a
			Lump Sum	0	n/a
C. Rose	5,369	5,291	Pension	3	1
			Lump Sum	1	0
Councillors					
N. Work (<i>including role as Convener of Lothian Valuation Joint Board</i>)	4,475	4,410	Pension	3	0
			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.

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
A. Kerr, Chief Executive (<i>from 27.07.15</i>) (<i>including returning officer role</i>)	23,981	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
S. Bruce, Chief Executive (<i>until 31.08.15</i>) (<i>including returning officer role</i>)	14,422	34,450	Pension	81	1
			Lump Sum	191	0
A. Maclean, Depute Chief Executive (<i>until 05.01.16</i>)	23,517	28,704	Pension	16	1
			Lump Sum	0	0
G. Tee, Director Children and Families (<i>until 31.12.15</i>)	83,567	30,567	Pension	78	3
			Lump Sum	184	3
A. Gaw, Acting Director of Communities and Families (<i>from 05.01.16</i>)	24,031	n/a	Pension	49	n/a
			Lump Sum	106	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>from 26.10.15</i>)	6,827	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Gabbitas, Director Health and Social Care (<i>Council proportion</i>) (<i>until 31.07.15</i>)	3,664	8,859	Pension	10	n/a
			Lump Sum	29	n/a

REMUNERATION REPORT

Pension Benefits - continued Pension Rights - continued Senior Employees

	In-year pension contribs.		Accrued Pension Benefits		
	For year to	For year to		Difference	
	31.03.16	31.03.15		As at	from
	£	£		31.03.16	31.03.15
				£000	£000
P. Lawrence, Executive Director of Place (from 30.11.15)	10,604	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Bury, Acting Director Services for Communities (from 08.05.14 until 18.10.15)	14,419	25,772	Pension	63	5
			Lump Sum	155	16
G. Ward, Director Economic Development (until 30.11.15)	16,979	21,141	Pension	27	2
			Lump Sum	51	2
M. Miller, Head of Safer and Stronger Communities and Chief Social Work	21,666	21,246	Pension	39	2
			Lump Sum	81	1
H. Dunn, Head of Finance (until 05.01.16) and Acting Executive Director of Resources (from 06.01.16)	24,876	22,366	Pension	47	3
			Lump Sum	101	0
M. Boyle, Head of Older People and Disability Service (until 31.01.16)	55,481	n/a	Pension	48	n/a
			Lump Sum	108	n/a
G. Crosby, Senior Manager Disabilities (until 31.01.16)	13,960	n/a	Pension	34	n/a
			Lump Sum	76	n/a
P. Campbell, Senior Manager Older People (until 31.01.16)	45,989	n/a	Pension	31	n/a
			Lump Sum	67	n/a
M. Turley, Director Services for Communities (until 30.06.14)	n/a	99,521	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Total	383,983	292,626			

Notes:

All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas was a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2016, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 149. The contribution rate for P. Gabbitas was 14.7% (2014/15 14.7%).

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2016 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to	For year to		Difference	
	31.03.16	31.03.15		As at	from
	£	£		31.03.16	31.03.15
				£000	£000
E. Adair, Operations and Finance Director, EDI Group	20,237	19,753	Pension	25	2
			Lump Sum	41	1
H. Rissmann, Chief Executive, EICC (until 31.03.15)	5,203	20,813	Pension	n/a	n/a
			Lump Sum	n/a	n/a

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
M. Dallas, Chief Executive, EICC (from 01.10.14)	16,836	3,737	Pension Lump Sum	n/a n/a	n/a n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	40,075	38,201	Pension Lump Sum	27 19	3 0
W. Campbell, Operations Director	33,128	31,579	Pension Lump Sum	36 55	3 0
W. Devlin, Engineering Director	33,128	31,579	Pension Lump Sum	46 83	4 0
N. Strachan, Finance Director	33,128	31,579	Pension Lump Sum	41 70	3 0
G. Hughes, HR Director	n/a	10,353	Pension Lump Sum	n/a n/a	n/a n/a
<u>Edinburgh Trams Ltd.</u>					
T. Norris, Director and General Manager (until 26.06.15)	3,614	7,400	Pension Lump Sum	n/a n/a	n/a n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive	14,073	16,280	Pension Lump Sum	30 66	1 1
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	16,069	n/a	Pension Lump Sum	13 10	n/a n/a
Total	<u>173,215</u>	<u>166,971</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 2015 and 31 December 2014 respectively.

E. Adair and J. Rafferty are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

ANDREW KERR
Chief Executive

29 September 2016

ANDREW BURNS
Council Leader

29 September 2016

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 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Movement in Reserves Statement, the group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Council Tax Income Account, and the Non-domestic Rates Income Account, The Common Good Fund Movement in Reserves Statement, the Common Good Fund Comprehensive Income and Expenditure Statement, the Common Good Fund Balance Sheet and 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 2015/16 (the 2015/16 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 Acting Executive Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Acting Executive Director of Resources 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 council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Executive Director of Resources; 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 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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 am 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.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The council failed to comply with this statutory requirement for the three year period ending 31 March 2016 in respect of their significant trading operation, Edinburgh Catering Services - Other Catering.

I have nothing to report in respect of the other matters.

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

September 2016

Appendix 3

Reconciliation of Outturn Position

	£m	£m
Outturn position as shown in the Revenue monitoring 2015/16 outturn report (surplus)		(0.861)
Changes arising from the audit of the Financial Statements:		
- Decrease in accrual for parking income	0.085	
- Edinburgh Integration Joint Board VAT adjustments	(0.009)	
	<hr/>	0.076
Revised surplus		<hr/> <hr/> <u>(0.785)</u>

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2015/16 Audit

Item number	7.6
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.

The Charitable Trusts UK equities and Global equities were held with the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund which were wound up on the 30 June 2016. The capital from these funds will now be invested with the COIF Charities Investment Fund managed by CCLA.

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 2015/16 Audit

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Approve the Audited Trustee's Report and Accounts for 2015/16 and note that these will be submitted to the External Auditor by 30 September 2016;
 - 1.1.2 Note that any relevant commentary on the Charitable Trusts has been included in the External Auditor's Annual Report on the 2015/16 Audit which is included in Appendix 1; and
 - 1.1.3 Note that the Charitable Trusts investments have been invested with the COIF Charities Investment Fund managed by CCLA.

Background

- 2.1 The 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:
 - i. there are appropriate systems of control;
 - ii. proper accounting records are maintained which disclose the financial position of the charities;
 - iii. suitable accounting policies are selected and applied consistently;
 - iv. judgements and estimates are reasonable and prudent;
 - v. assets of the charities are safeguarded against unauthorised use or disposition;
 - vi. reasonable steps for the prevention and detection of fraud are taken; and

- vii. reasonable assurances are provided that the charities are operating efficiently and effectively.

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.
- 3.3 Last financial year the Auditor noted two key points in the ISA 260:
 - i. The Finance and Resources Committee should develop a reserves policy for each Charitable Trust. This reserves policy was agreed at the March 2016 Finance and Resources Committee meeting and included within the 2015/16 Trustee's Annual Report and Accounts.
 - ii. A revaluation of the Jean F. Watson and Lauriston Castle assets should be undertaken, progress against which is outlined below in paragraph 3.4.
- 3.4 This financial year the Auditor has drawn Members' attention to the following key points:

- i. The Lauriston Castle Trust external revaluation was not reflected within the 2015/16 accounts, as the information was not available before certification of the accounts. The results of the revaluation are expected in early October 2016 and these revalued figures will be reflected in the 2016/17 Trust accounts.

A non-adjusting post-balance sheet event has been disclosed in the 2015/16 Trust accounts.

- ii. The Jean F. Watson external revaluation of the more significant pieces in the collection was not carried out in the 2015/16 financial year.

The Committee on the Jean F. Watson Bequest previously agreed that these items should be revalued every five years. As the Jean F. Watson collection was subject to an internal revaluation in 2014/15, the next revaluation will be completed for inclusion within the 2019/20 accounts. In advance of the next formal revaluation review, officers will consider the use of independent valuations for significant pieces of the collection to support the existing internal valuation approach.

- iii. The Allianz Investment Funds, two of the three funds held by the Charitable Trusts, have been wound up in early 2016/17, with £1.587m due to be invested during the 2016/17 financial year.

Before this point was raised by the external auditor, it was already agreed to invest these funds with CCLA in the COIF Charities Investment Fund. This will be concluded by the end of September 2016. Additional detail on this matter is provided in the following paragraphs.

- 3.5 The Audited Trustee's Report and Accounts for 2015/16 are shown in Appendix 2.
- 3.6 The Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund were wound up with the funds liquidated as at 30 June 2016 and paid out on 6 July 2016 to the relevant Charitable Trusts. Following approval at the 30 June City of Edinburgh Council meeting, the Acting Executive Director of Resources was granted delegated authority to select a suitable fund in which the Charitable Trusts investments should be reinvested. Under this delegated authority, £1,587,394, being the £1,487,394 paid out by Allianz plus an additional £100,000 from the Edinburgh Education Trust, will be invested in the COIF Charities Investment Fund managed by CCLA by the end of September 2016.
- 3.7 To arrive at this decision, an external organisation was commissioned to undertake a review of various options for the Trusts' investments, resulting in an extensive options report, considering factors such as past capital and income return, size of fund, investment approach and objectives, ethical and sustainability considerations and annual charges. The various fund managers considered were BlackRock, CCLA, M&G, Newton and Schrodgers/Cazenove.
- 3.8 Following evaluation by Council officers, it was deemed that the COIF Charities Investment Fund was the most appropriate for the Trusts. It is a well diversified fund and combined with the investments already held in the M&G Charibond Fixed Interest Fund provides an asset allocation in line with an appropriate level of risk exposure.
- 3.9 The fund has delivered a steady annual return of over 4% for both capital and income over the last five years. Capital return is the growth of the investment, with income return being the income received through dividends. It has a realistic and achievable long-term aim of 5% annual real total return, whilst maintaining income after inflation. It has a significant focus on ethical investing, managed by its board, with negative screening applied. Negative screening is a conscious decision not to invest in specific sectors or industries. It is also a relatively large fund for the sector with assets of c. £1.4bn, focused on providing a well diversified investment fund for charities.

Measures of success

- 4.1 The Charitable Trusts receive an unqualified audit certificate from the External Auditor by 30 September 2016.

Financial impact

- 5.1 There is no direct financial impact of the report's contents.

Risk, policy, compliance and governance impact

- 6.1 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

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

Consultation and engagement

- 9.1 The financial statements were made available for public inspection from 1 July 2016 for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received no requests for further information under these Regulations.

Background reading/external references

[Boyd Anderson Funds](#)

[Charitable Trusts Reserves Policy](#)

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

[The City of Edinburgh Council Charitable Trusts – Unaudited Trustee's Annual Report and Accounts 2015/16](#)

[COIF Charities Investment Fund](#)

Hugh Dunn

Acting Executive Director of Resources

Contact: Catrina Montgomery, Senior Accountant

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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 2015/16 Audit Appendix 2 – Audited 2015/16 Trustee’s Annual Report and Accounts for the year ended 31 March 2016

City of Edinburgh Council - Registered Charitable Trusts

Report to those charged
with governance on the
2015/16 audit



Prepared for the members of City of Edinburgh Council
September 2016

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 2015/16 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 trustee of each charity will be provided a copy of the ISA 260 report on 29 September 2016 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 Trustee's consideration the matters arising from the audit of the financial statements for 2015/16 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 13 September 2016.
6. We received the unaudited financial statements by 30 June 2016, 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 2016.

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 21 April 2016, 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 2015/16 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 Trustee 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 29 September 2016 (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 £1,000. There were none identified as part of our audit work.
13. A number of presentational adjustments were identified and discussed with the officer responsible for the charitable trusts who agreed to amend the unaudited financial statements. There were no monetary adjustments identified during the course of our audit.
14. As part of the completion of our audit we seek written assurances from the Section 95 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 Section 95 Officer with the signed financial statements prior to the independent auditor's opinion being certified.

Accounting and internal control systems

15. 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

16. 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.
17. **Lauriston Castle Trust external revaluation:** In our 2014/15 report to those charged with governance, we noted that the Lauriston collection had not been revalued since 1997. The Trustee planned an external revaluation of the Trust assets in 2015/16 the results of which would be incorporated into the 2015/16 accounts.
18. An external revaluation of the collection commenced in January 2016 but the final results of that revaluation were not due to be finalised until after the certification of the accounts on 29 September 2016.
19. **Resolution:** A non-adjusting post-balance sheet event has been disclosed in the audited accounts in respect of this issue. The results of the external revaluation of the Lauriston Castle Trust assets will be incorporated into the 2016/17 charitable trust annual accounts.
20. **Jean F Watson Trust external revaluation:** In our 2014/15 report to those charged with governance, we noted that the Jean F Watson artwork collection was reviewed internally, resulting in an upwards revaluation of £1.304m in the 2014/15 accounts. We also noted that officers planned a detailed external revaluation of the more significant pieces in the collection during 2015/16. The Trustee resolved to incorporate this revaluation into the 2015/16 Trust accounts.
21. Officers have since clarified that no external revaluations of significant items were undertaken in 2015/16. The Committee on the Jean F Watson Bequest previously agreed that these items should be revalued every five years, and as all the significant items were subject to internal revaluation in 2014/15, the next revaluation will be completed for inclusion in the 2019/20 accounts. However best practice would be to undertake some external valuations periodically to provide additional comfort around the insurance value of the collection.
22. **Resolution:** As the significant items in the collection have been subject to revaluation within the last five years, in line with the council's stated approach to asset valuation, we are satisfied that the carrying value of these assets is presented fairly in the accounts. In advance of the next formal revaluation review, officers will consider the use of independent valuations to support the existing internal valuation approach.
23. **Allianz Investment Funds:** The trusts' balance sheet at 31 March 2016 includes investment funds of £1.843 million. On 1 April 2016 the Trust was notified that two funds managed by Allianz Investment Managers, accounting for £1.432 million of investments, were to be wound up. These funds were liquidated on 30 June 2016 and paid out on 6 July 2016, at which point the monies received from Allianz were deposited in a bank account.
24. A review of potential fund providers was undertaken and a decision made to reinvest in the COIF Charities Investment Fund managed by CCLA. Officers have confirmed that an

application has been submitted to the fund, and monies are in the process of being transferred to allow the purchase of investments by the end of September 2016.

Acknowledgements

25. 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 Trustee of The City of Edinburgh Council Charitable Trusts and the Accounts Commission for Scotland

I certify that I have audited the financial statements of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2016 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 Statement, 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 Trustee and auditor

As explained more fully in the statement "Responsibilities of the Trustee", the Trustee is 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 charities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; 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 2016 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 Trustee's 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 2016

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 2016

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 2015/16

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 2016 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 2016 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 Trustee 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 2016.

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 Trustee's Annual 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 2016.

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 Trustee has 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.

Corporate Governance

12. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

Fraud

13. 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

14. The cash fund and investments shown in the statement of balances at 31 March 2016 were owned by the registered charitable trusts. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
15. 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 2016/17 financial statements.
16. 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
Acting Executive Director of Resources
Section 95 Officer

**The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2016**

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the Finance and Resources Committee and now has delegated responsibility from Council to act in the role of trustee of its charities. The individual members of the Committee are listed on page 6 of the Trustee Report.

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

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Auditor

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Assistant Director of Audit
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Investment Managers

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PO Box 9031
Chelmsford
CM99 2WN

M&G Charities
PO Box 9038
Chelmsford
CM99 2XF

Trustee's Annual Report 2015/16

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2016. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice effective 01/01/2015 (FRS 102), commonly referred to as the SORP.

Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committees of the Council which are involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity trustees. Risk management is covered as part of the Council's general risk management procedures.

All major decisions relating to the strategic operation of the Trusts are undertaken by the Finance and Resources Committee. There is also a dedicated Jean F. Watson Committee which meets to discuss the finances and make decisions on art acquisitions. The Childrens Panel meets to approve funding for the Edinburgh Education Trust.

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of seven trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of all the charities can be found on page 3 of this report and in the accounts.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

Responsibilities of the Trustee

Charity law requires charity trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls, financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the SORP.
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charities.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
 - the charities are operating efficiently and effectively;
 - the charitable assets are safeguarded against unauthorised use or disposition;
 - proper records are maintained and financial information used by the charities is reliable;
 - the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity trustee;
2. Regular consideration by the charity trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties;
4. Identification and management of risks.

Exemptions From Disclosure

None.

Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2015/16
Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2016 are as follows:

Official Name (Name Used in Accounts)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/16 £'000
Jean Fletcher Watson (Jean F. Watson)	SC018971	The purchase of works of art by artists who have connections with the city	6,173
Edinburgh Education Trust (Edinburgh Education Trust)	SC042754	To fund activities to support Looked after Children and school prizes	852
Nelson Halls Trust (Nelson Halls)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	214
City of Edinburgh Council Charitable Funds (Boyd Anderson)	SC025067	Provision of outdoor education and skiing opportunities	118
Usher Hall Conservation Appeal (Usher Hall)	SC030180	Raise funds for the renovation of the Usher Hall	68
Lauriston Castle Trust (Lauriston Castle)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,039
The Royal Scots (The Royal Regiment) Monument Trust Fund (The Royal Scots Trust)	SC018945	Maintenance of the Royal Scots Monument	30
Total			14,494

The Catherine Cowper Trust is not included in the accounts as it is not a registered charity.

The main activities undertaken in relation to the Trusts' purposes are outlined below;
 Jean F. Watson purchased 'The Crags at Dawn' by Catharine Davison during the financial year. Two additional planned purchases will be progressed throughout the next financial year, with these expected to take around a year to finalise.

The Edinburgh Education Trust funded £11,021 of activities for looked after children and £1,668 of school prizes. An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner than had been the case previously.

The Nelson Halls are open to the public as part of the libraries and community centres they are attached to.

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds will be used to build a modular log cabin type classroom and storage space at Lagganlia. The remaining £54,000 has already been earmarked for the ski centre at Hillend.

It is currently proposed that the Usher Hall funds will be used to purchase a new Steinway grand piano when a replacement becomes required.

The Lauriston Castle is open to the public with the interest received in 2015/16 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2015/16 was used to cover some of the running costs.

Achievements and Performance

To assist Jean F. Watson in the purchase of 'The Crags at Dawn', £1,750 (50% of the purchase cost) was received from the National Fund for Acquisitions administered by the National Museums of Scotland.

An external valuation by Art & Antiques Appraisals Ltd is nearing completion at the Lauriston Castle but the valuation was not available in time for inclusion in the 2015/16 Trustee's Annual Report and Accounts.

There was no material expenditure incurred by any of the Trusts in 2015/16 to raise income in future periods.

Trustee's Annual Report 2015/16
Achievements and Performance - continued

Financial Investments Performance

With regard to the performance to the year ended 31 December 2015, the Chariguard UK Equities Fund was just below the benchmark. The fund returned 1.90% compared to the benchmark of 1.98%. This is consistent with the Fund's index-tracking objectives. The performance of the Chariguard Overseas Equities Fund was below its benchmark, as it returned 1.12% compared to the benchmark of 2.05%.

Performance information for 12 months to 2 November 2015 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 3.1% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 5.5% over the same period. The reasons for the fund's underperformance were its defensive positioning and corporate bond holdings. Charibond's distribution yield on 2 November 2015 was 5.3% compared to the FTSE British Government All Stocks Index Yield of 2.3%, however, based on the Charibond's share price at 2 November 2015, this distribution yield will reduce to 3.7% next year.

The current allocation against the target allocation is outlined in the table below;

Asset Allocation		
	Current	Target
Fixed Interest	22%	25%
UK Equities	36%	37.50%
Global Equities	42%	37.50%
Total	100%	100%

The objective for each fund is to match the performance of its respective benchmark index. The Chariguard UK Equity Fund is benchmarked against the FTSE All-Share Index, the Chariguard Overseas Fund is benchmarked against the FTSE World Index ex UK (adjusted) and the Charibond Fixed Interest Fund is benchmarked against the FTSE British Government All-Stocks Index.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2016. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand. All of the unrestricted funds of the charities are general and not designated.

The Statement of Financial Activities shows the total income to be £56,000 in 2015/16. (2014/15 £64,000). This decrease in income compared to the previous year is due to the transfer of the Surplus Fire Fund (SFF) to Edinburgh Voluntary Organisation Trust (EVOT) during the 2014/15 financial year. Excluding the SFF income for 2014/15 would have resulted in £55,000 of income, therefore there has been a £1,000 increase when comparing like-for-like year-on-year income. This is due to the £1,750 grant received for purchasing art and stable although slightly underperforming investment returns.

The expenditure in the year is lower than last year at £37,000 compared to £1,311,000, however, when excluding the SFF again, the figure for comparison is £19,000. This actual like-for-like increase of £18,000 is as a result of £11,000 greater spend by the Edinburgh Education Trust on activities for looked after children and school prizes. Governance costs are £4,000 higher in 2015/16 as a result of the Audit Fee of £4,250 being charged directly to the Trusts. The purchase of 'The Craggs at Dawn' represents another £3,500 of additional expenditure in 2015/16, with the remainder representing small sums across the other Trusts. An analysis of expenditure is detailed in Note 3, with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

The final movement in the Statement of Financial Activities relates to the unrealised losses on investments of £97,000. (Gain £140,000 2014/15) This is a result of the stock market performance outlined at the top of this page in the Financial Investments Performance section.

The Balance Sheet Statement shows the fixed asset investments have decreased from £1,940m to £1,843m. Movements on the valuation of the investments are further analysed in note 14 and note 15.

Trustee's Annual Report 2015/16

Financial Review - continued

Fixed asset properties and collections have been included in the accounts at their prior year valuations. The £7,000 increase in cash is further analysed in the Cash Flow Statement. The detail of the amount owed by each Trust to the Council as at 31 March 2016 is included within Note 15 of the Accounts.

Letters dated 1 April 2016 were received to notify that the Chariguard UK Equity Fund and the Chariguard Overseas Equity Fund are to be wound up with the funds liquidated as at 30 June 2016 and this paid out on 6 July 2016. Therefore plans will need to be in place to reinvest this money to ensure that investment income in the 2016/17 financial year is not adversely impacted.

An overall review of the current asset allocation will be undertaken and consideration of whether the investment mix should be updated accordingly. Social, environmental and ethical considerations will also be taken into account when determining the best place for these investments.

Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires using "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the 17 March 2016 Finance and Resources Committee.

The annual income for Jean F. Watson averages around £25,000. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £6,173,000, consisting of £858,000 in Investments, £5,232,000 in Fixed Assets, £84,000 in Cash less Creditors of £1,000.

The annual income for the Edinburgh Education Trust averages around £20,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £852,000, consisting of £726,000 in Investments, £131,000 in Cash less Creditors of £5,000.

The annual income for Nelson Halls averages around £5,000. This income should be used in full towards costs incurred by the City of Edinburgh Council for the maintenance of the Halls. The Trust has total funds of £214,000, consisting of £193,000 in Investments, £19,000 in Heritable Assets, £8,000 in Cash less Creditors of £6,000.

No reserves policy has been created for Boyd Anderson as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016.

The annual income for Usher Hall averages around £250. This income is used towards costs incurred by the City of Edinburgh Council for the maintenance of the Usher Hall. However, the remaining cash at bank for the Trust, around £71,000, can also be used, following Committee approval, on fabric enhancements at the Usher Hall. The current understanding is that this is likely to be used in relation to the grand piano in 2016/17. The Trust has total funds of £68,000, consisting of £71,000 in Cash less Creditors of £3,000.

The annual income for the Lauriston Castle averages around £1,000. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Castle. The Trust has total funds of £7,039,000, consisting of £7,001,000 in Heritable Assets, £38,000 in Investments, £4,000 in Cash less Creditors of £4,000.

The annual income for The Royal Scots Trust averages around £800. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Monument. The Trust has total funds of £30,000, consisting of £28,000 in Investments and £2,000 In Cash.

The Heritable Assets and the Investments stated above are restricted funds and are therefore not available for general purposes. An analysis of Heritable Assets is included within Note 6 to the Accounts.

Trustee's Annual Report 2015/16

Financial Review - continued

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson and Usher Hall Trusts in the 2016/17 financial year, which will leave five Trusts remaining.

Future plans also include maximising realised investment gain when the Allianz funds are wound up. It will also be important for the long-term future of the Trusts that these funds are reinvested promptly and to preserve capital whilst generating strong annual income returns.

In the 2015/16 financial year the Trusts have improved processes regarding the transfer of funds and this should be continued in 2016/17 to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting should be carried out in 2016/17 to ensure that they are also aware of the likely money available in 2017/18.

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin

Convener of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee are outlined below;

Councillor Bill Cook (*Vice Convener*)

Councillor Gavin Corbett

Councillor Denis Dixon

Councillor Paul Edie

Councillor Paul Godzik

Councillor Joan Griffiths

Councillor Bill Henderson

Councillor Ricky Henderson

Councillor Allan Jackson

Councillor Adam McVey

Councillor David Walker

Councillor Iain Whyte

Councillor Andrew Burns (*ex officio*)

Councillor Frank Ross (*ex officio*)

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2016

	Note	2015/16			2014/15		
		Unrestricted funds	Endowment funds	Total funds 2015/16	Unrestricted funds	Endowment funds	Total funds 2014/15
		£'000	£'000	£'000	£'000	£'000	£'000
Income and Endowments from:							
<i>Charitable activities</i>	2	(2)	-	(2)	-	-	-
<i>Investments</i>	2	(54)	-	(54)	(64)	-	(64)
Total		<u>(56)</u>	<u>-</u>	<u>(56)</u>	<u>(64)</u>	<u>-</u>	<u>(64)</u>
Expenditure on:							
<i>Charitable activities</i>	3, 4	37	-	37	19	-	19
<i>Other - Trusts transferred to external charities</i>		-	-	-	84	1,208	1,292
Total		<u>37</u>	<u>-</u>	<u>37</u>	<u>103</u>	<u>1,208</u>	<u>1,311</u>
<i>Net gains / (losses) on investments</i>	14	-	(97)	(97)	-	140	140
Net income / (expenditure)		<u>-</u>	<u>(97)</u>	<u>(97)</u>	<u>-</u>	<u>140</u>	<u>140</u>
Other recognised gains/(losses):							
<i>Gains on revaluation of fixed assets</i>	5	-	-	-	1,304	-	1,304
Net movement in funds		<u>19</u>	<u>(97)</u>	<u>(78)</u>	<u>1,265</u>	<u>(1,068)</u>	<u>197</u>
Reconciliation of funds							
<i>Capital as 1 April</i>		1,227	1,734	2,961	1,266	2,802	4,068
<i>Revaluation Reserve</i>		4,377	7,001	11,378	3,073	7,001	10,074
<i>Market Value Adjustment</i>		8	225	233	8	225	233
<i>Total funds brought forward</i>		<u>5,612</u>	<u>8,960</u>	<u>14,572</u>	<u>4,347</u>	<u>10,028</u>	<u>14,375</u>
Total funds carried forward	15	<u>5,631</u>	<u>8,863</u>	<u>14,494</u>	<u>5,612</u>	<u>8,960</u>	<u>14,572</u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2016

		2015/16			2014/15		
	Note	Unrestricted funds	Endowment funds	Total funds 2015/16	Unrestricted funds	Endowment funds	Total funds 2014/15
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	5	5,232	-	5,232	5,232	-	5,232
<i>Heritable Property</i>	6		7,020	7,020	-	7,020	7,020
<i>Investments</i>	7		1,843	1,843	-	1,940	1,940
Total fixed assets		5,232	8,863	14,095	5,232	8,960	14,192
Current Assets:							
<i>Cash at Bank</i>	8	420	-	420	413	-	413
Total current assets		420	-	420	413	-	413
Liabilities:							
<i>Creditors due within one year</i>	9, 10	21	-	21	33	-	33
Total Liabilities		21	-	21	33	-	33
Net Current Assets		399	-	399	380	-	380
Total Net Assets		5,631	8,863	14,494	5,612	8,960	14,572
The funds of the charity:							
<i>Unrestricted Funds</i>	15	1,254	-	1,254	1,235	-	1,235
<i>Endowment Funds</i>	15	-	1,862	1,862	-	1,959	1,959
<i>Revaluation Reserve</i>	15	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,631	8,863	14,494	5,612	8,960	14,572

The unaudited accounts were issued on 30 June 2016. The audited accounts were authorised for issue on 29 September 2016. I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 29 September 2016.

Signed on behalf of the charity trustee:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Operating Activities				
<i>Dividend Income and Interest received (Note 2)</i>	(54)		(64)	
Cash inflows generated from operating activities	<u> </u>	(54)	<u> </u>	(64)
<i>Cash paid to Schools and Pupils (Note 3)</i>	13		2	
<i>Cash paid to Purchase Art (Note 3)</i>	4		-	
<i>Cash paid for Legal Fees (Note 3)</i>	-		1	
<i>Cash paid to the Council</i>	30		-	
Cash outflows generated from operating activities	<u> </u>	47	<u> </u>	3
Net cash flows from operating activities		<u><u> </u></u>		<u><u> </u></u>
		(7)		(61)
Investing Activities				
<i>Transfer of Surplus Fire Fund to Edinburgh Voluntary Organisations Trust</i>	-		127	
Net cash flows from investing activities	<u> </u>	-	<u> </u>	127
Net cash flows from financing activities		-		-
Net (increase) / decrease in cash and cash equivalents		<u><u> </u></u>		<u><u> </u></u>
		(7)		66
	April 2015		April 2014	
<i>Cash and cash equivalents (Note 8)</i>	413		479	
	<u> </u>		<u> </u>	
	March 2016		March 2015	
<i>Cash and cash equivalents (Note 8)</i>	420		413	
Net (increase) / decrease in cash and cash equivalents		<u><u> </u></u>		<u><u> </u></u>
		(7)		66

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

1 Accounting policies

a) Basis of preparation

The 2015/16 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

These financial statements have been prepared on the basis that the Trusts for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis. These Trusts meet the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Fund accounting

Unrestricted funds are general funds that are available for use at the trustee's discretion in the furtherance of any of the objectives of the charities.

Almost all of the charities have an endowment fund consisting of invested capital and any heritable property. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the trustee has discretion to expend endowment funds should the need arise.

c) Investment income

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

d) Expenditure

Expenditure is included in the financial statements on an accruals basis.

e) Heritable property and depreciation

Heritable properties are stated in the accounts at a revalued amount where this is available. Where this is not available historic cost has been used, this is the case for the Nelson Halls. Depreciation is not currently provided for heritable property.

f) Heritable assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets includes collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

g) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the SORP. Any gain or loss on revaluation is shown on the Statement of Financial Activities.

h) Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

2 Analysis of Income	2015/16	2014/15
	£'000	£'000
<i>Dividend income</i>	(53)	(63)
<i>Interest received</i>	(1)	(1)
<i>Grant for purchase of art</i>	(2)	-
Total Income	<u>(56)</u>	<u>(64)</u>

3 Analysis of Expenditure on Charitable Activities	2015/16	2014/15
	£'000	£'000

Activities undertaken directly:

<i>Education Grants - to Individuals</i>	11	2
<i>Education Grants - to Schools</i>	2	-
<i>Jean F. Watson Art Collection</i>	4	-
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	5	6
<i>The Royal Scots Trusts</i>	1	-
<i>Surplus Fire Fund Legal Fees</i>	n/a	1
	<u>24</u>	<u>10</u>

<i>Allocation of support costs</i>	13	9
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Total Expenditure on Charitable Activities	<u>37</u>	<u>19</u>
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4 Analysis of Support Costs	Governance	Finance	Total
<i>Edinburgh Education Trust</i>	2	3	5
<i>Boyd Anderson</i>	1	1	2
<i>Jean F. Watson</i>	1	2	3
<i>Usher Hall</i>	2	1	3
Total Support Costs	<u>6</u>	<u>7</u>	<u>13</u>

The basis of allocation for the governance and the finance support costs was the cash held at bank at the time of allocation.

No trustee received any remuneration or expenses during year ending 31 March 2016. There are no employees of the City of Edinburgh Council Charitable Trusts.

5 Jean F. Watson Collection	2015/16	2014/15
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,232	3,928
<i>Revaluation during the year</i>	-	1,304
Balance carried forward at 31 March	<u>5,232</u>	<u>5,232</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.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

6 Analysis of Heritable Property	2015/16	2014/15
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
Total Heritable Property	7,020	7,020

The Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection. An external revaluation of the collection commenced in 2015/16 but the final figures were not available for inclusion in the 2015/16 Trustee's Annual Report and Accounts. The previous valuation of the Lauriston Castle was carried out in 1997 by Sotheby's, with the last full inventory evaluation of contents dating back to 1978.

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.

Additional information on heritable property can be found in the Trustee's Annual Report.

7 Analysis of Investments	At 31/3/15	Net Loss on revaluation	At 31/3/16
	£'000	£'000	£'000
<i>Listed Investments</i>	1,940	(97)	1,843
Total Investments	1,940	(97)	1,843

8 Analysis of Cash and Cash Equivalents	2015/16	2014/15
	£'000	£'000
<i>Edinburgh Education Trust</i>	131	130
<i>Boyd Anderson</i>	120	127
<i>Jean F. Watson</i>	84	65
<i>Lauriston Castle</i>	4	2
<i>Nelson Halls</i>	8	13
<i>The Royal Scots Trust</i>	2	4
<i>Usher Hall</i>	71	72
Total Cash at Bank	420	413

9 Analysis of Creditors Due Within One Year	Unrestricted funds	Endowment funds	2015/16 Total	2014/15 Total
	£'000	£'000	£'000	£'000
<i>Amounts due to the Council</i>	21	-	21	33
Total Liabilities	21	-	21	33

Detail of the amounts due to the Council per Trust is available in Note 15.

10 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £21,422 was owed to the Council by the Trusts (2014-15 £33,287). Detail of the amounts due to the Council per Trust is available in Note 15.

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

11 Prior Year Adjustment

There are no prior year adjustments included in the 2015/16 Accounts.

12 Post Balance Sheet Event

Events after the balance sheet date

A revaluation of the Lauriston Castle collection commenced in January 2016. It is likely there will be a significant increase in the value of these assets when the details of the revaluation become available, however this will not be until October 2016 and as such will only be reflected in the 2016/17 accounts prospectively.

13 Audit Fee

The fee payable to Audit Scotland in respect of the audit services for the Council's Charitable Trusts is £4,250 for 2015/16. (2014/15 £4,250) This fee was included in the overall governance costs and allocated proportionately to each individual Trust. In prior years, this fee was included in the overall fee for the Council and not allocated directly to the individual Trusts.

The City of Edinburgh Council Charitable Trusts

Notes to the accounts

For the year ended 31 March 2016

14 Trusts at Market Value - Year Ended 31 March 2016

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Losses on investments £'000	Funds carried forward £'000	2014/15 Market Value £'000
Edinburgh Education Trust	SC042754	886	(21)	17	(38)	852	886
Boyd Anderson	SC025067	120	-	2	-	118	120
Jean F. Watson	SC018971	6,198	(27)	7	(45)	6,173	6,198
Lauriston Castle	SC020737	7,041	(1)	1	(2)	7,039	7,041
Nelson Halls	SC018946	224	(6)	6	(10)	214	224
The Royal Scots Trust	SC018945	33	(1)	2	(2)	30	33
Usher Hall	SC030180	70	-	2	-	68	70
Total Funds		14,572	(56)	37	(97)	14,494	14,572

The City of Edinburgh Council Charitable Trusts
Notes to the accounts
For the year ended 31 March 2016

15 Trusts at Market Value - Year Ended 31 March 2016

Charity Name	SC Number	Revaluation Reserve								2015/16 Market Value	2014/15 Market Value
		Unrestricted Funds				Endowment Funds					
		Cash at Bank	Amounts due to Council	Jean F. Watson Collection	Jean F. Watson Collection	Heritable Property	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Edinburgh Education Trust	SC042754	131	(5)	-	-	-	-	657	69	852	886
Boyd Anderson	SC025067	120	(2)	-	-	-	-	-	-	118	120
Jean F. Watson	SC018971	84	(1)	855	4,377	-	-	747	111	6,173	6,198
Lauriston Castle	SC020737	4	(4)	-	-	7,001	-	33	5	7,039	7,041
Nelson Halls	SC018946	8	(6)	-	-	-	19	168	25	214	224
The Royal Scots Trust	SC018945	2	-	-	-	-	-	25	3	30	33
Usher Hall	SC030180	71	(3)	-	-	-	-	-	-	68	70
Total Funds		420	(21)	855	4,377	7,001	19	1,630	213	14,494	14,572

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 The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2016 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 Statement, 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 charities' 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 2016 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, 29 September 2016

Revenue and Capital Budget Framework 2016/20 – mid-year review

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

On 21 January 2016, Council approved a balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to grant funding assumptions, delivery of approved savings and active management of a range of risks and pressures. The approved budget motion also established the principle of a mid-year review, formally monitoring progress against the Council's financial commitments and objectives and acting as an early warning system to highlight any potential risks.

This report appraises members of progress in delivering approved savings and a number of changes to budget framework assumptions, including revisions to grant funding projections and an increase in the level of demographic provision. Taken together and subject to a number of required actions to manage pressures and address shortfalls in the delivery of savings previously approved in principle, the overall position remains balanced in 2017/18 and 2018/19.

Links

Coalition pledges	P30
Council outcomes	SO25
Single Outcome Agreement	

Report

Revenue and Capital Budget Framework 2016/20 – mid-year review

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, subject to management of risks and pressures and the identification of mitigating measures and/or alternative savings to offset projected shortfalls in delivery in three specific cases, the budget framework remains balanced in 2017/18 and 2018/19;
 - 1.1.3 note the intention to engage on a reduced number of key "themes" as part of wider consultation on the Council's Transformation Programme; and
 - 1.1.4 authorise Executive Directors to take forward any remaining 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.

Background

- 2.1 On 21 January 2016, Council approved a balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to grant funding assumptions, delivery of approved savings and active management of a range of risks and pressures. The approved budget motion also established the principle of a mid-year review, formally monitoring progress against the Council's financial commitments and objectives and acting as an early warning system to highlight any potential risks.
- 2.2 This report marks the first such review and therefore sets out:
 - i. progress in delivering approved savings;
 - ii. additional factors, or changes to existing assumptions, impacting on the budget framework;
 - iii. progress in taking forward a number of actions included within the budget motion;

- iv. management of service-specific and corporate risks and pressures; and
- v. specific proposals/groups of proposals to form the focus of public engagement.

Main report

Delivery of approved budget framework savings

- 3.1 While the setting of the Council's budget marks the formal approval of the proposals concerned, this ratification forms part of a much longer cycle of option development, public consultation, service engagement and subsequent savings delivery. Regular progress updates on the delivery of all approved savings for 2016/17 and the following years have been considered by both the Council Leadership Team and Capital Coalition elected members at Budget Challenge meetings. This process began well in advance of budget approval in January and has proven effective in highlighting at an early stage potential barriers to full delivery and, where necessary, informing the subsequent development and assessment of alternative measures.
- 3.2 As of mid-August and based on actions planned, or already undertaken, of a total of £73m of savings approved in 2016/17, some 94% by value are on track to be delivered. The balance of required savings (relating to a small number of approved proposals in Communities and Families and Health and Social Care) is being managed through one-off funding, vacancy control and reductions in discretionary spend, such that a balanced overall Council-wide position for the year is being forecast. As is crucial to all aspects of the budget framework, however, sustainable solutions are required to address any recurring shortfalls going forward.
- 3.3 Planning for savings to be delivered in 2017/18 and subsequent years is, by its nature, at an earlier stage. This said, subject to the undertaking of planned actions, 88% of proposals by value are currently assessed as on track to be delivered and the next few months will therefore be used to develop and refine these as appropriate.

Review of budget framework assumptions

- 3.4 Following the announcement of the 2016/17 Local Government Finance Settlement in December 2015, the Council identified a requirement to deliver at least £148m of recurring annual savings by 2019/20. A firm balanced budget for 2016/17 was then approved on 21 January, with indicative balanced budgets set for the two following years, subject to confirmation of grant funding levels, bringing forward more detailed proposals for those savings approved in principle and active management of risks and pressures. A residual savings requirement of £15.3m was identified in 2019/20.
- 3.5 The expenditure and income assumptions underpinning the budget framework are subject to regular review. Following the most recent review, a number of

proposed changes are set out below, the net effect of which is summarised in Appendix 1.

Expenditure factors - demographic-related pressures

- 3.6 The Council's budget continues to be influenced by changes in the size and profile of the city's population. In 2016/17, taking into account the anticipated level of contribution from the Integrated Joint Board through the Social Care Fund, some £12m has additionally been provided in respect of demographic-related factors. This total includes sums to reflect growing school pupil rolls, greater client numbers and associated complexity of need within older people's and physical and learning disability services and increasing numbers of at-risk children.
- 3.7 In May 2015, the then Children and Families service undertook a comprehensive analysis of the anticipated impacts of demographic change on its services over the period to 2021/22. This analysis used available school pupil roll projections and other demographic-related data to re-assess the adequacy of the level of provision for such factors included within the Council's Long-Term Financial Plan. The analysis concluded that subsequent upward movement, in particular, in actual school pupil and at-risk children numbers relative to earlier assumptions meant that, based on existing unit costs, additional funding of £2.1m was required in 2016/17 alone. Following an updated assessment of the estimated cost to the Council from April 2016 of the loss of the existing employer's National Insurance rebate for staff in pension scheme membership, an increased level of demographic provision was included in the budget framework. In doing so, it was furthermore acknowledged that the position in respect of future years would require to be considered as part of subsequent years' budget processes.
- 3.8 The projections developed by the service in May 2015 have now been reviewed in light of more recently-published data and these forecasts are assessed to remain appropriate. The projections comprise two distinct elements, one relating to existing factors, such as changes in pupil rolls and numbers of at-risk children, and the other to additional sums predicated on increased infrastructure requirements arising, in particular, from the Local Development Plan (LDP). While addressing the potential medium- and longer-term revenue and capital cost implications of the LDP remains a significant consideration for the Council, pending identification of the required capital funding to construct a number of new schools underpinning the plan, the review of the adequacy of current provision has focused on "existing" factors.
- 3.9 The analysis undertaken by the service points to a cumulative additional funding requirement of £1.399m, £3.902m and £6.452m respectively over the period from 2017/18 to 2019/20, based on current service delivery models and unit costs. As will be outlined later in this report, however, this requirement has been identified against a backdrop of significant reductions in per capita external funding levels. On this basis and recognising opportunities for economies of

scale resulting from service re-design and re-alignment towards more preventative activity as part of the development of a localities-based model, the updated framework includes provision for half of the additional sum calculated in each case. It should be noted, however, that the total sum provided within the framework equates to around 70% of the overall demographic-related requirement identified, based on existing unit costs.

- 3.10 Reviews undertaken in respect of health and social care- and waste-related services have confirmed the on-going appropriateness of the assumed sums in these areas. While the potential for significant pressure has been highlighted in the area of **temporary accommodation** services as part of welfare reform-related changes, pending clarification of the nature of these wider proposals and any off-setting funding that may be made available, no specific provision is assumed at this time.

Health and Social Care

- 3.11 The approved Health and Social Care budget for 2016/17 is underpinned by the delivery of £15m of recurring savings, with £7m of additional funding also provided by Council to reflect underlying pressures within the service. As part of the budget motion on 21 January 2016, Council also provided in-principle approval for a further £6.9m of savings to be delivered in 2017/18. Other than a small inflation-linked increase in charges levied, no further savings within the service are currently assumed in the framework beyond 2017/18.
- 3.12 While recognising the autonomy of the Integrated Joint Board, the Scottish Government has indicated that it expects public bodies, including local authorities, to deliver 3% annual efficiencies across all their services. The budget framework currently includes provision for a number of inflationary factors affecting the Health and Social Care service, including pay awards, care home fees and applicable uplifts in purchased service contracts. The framework additionally includes incremental demographic investment of £5.921m/£5.957m/£6.096m over the period from 2017/18 to 2019/20 inclusive.
- 3.13 As in the case of Communities and Families services, however, amidst significant reductions in funding, this level of additional investment is only affordable through the delivery of corresponding savings. In light of this, while the position for other Council services will be similarly reviewed in due course, the budget framework now assumes an annual efficiency requirement across Health and Social Care services of 3% from 2018/19 onwards. The appropriateness of this planning assumption will be reviewed as additional details of the Local Government Settlement become available.

Energy costs

- 3.14 Like other public sector organisations, the Council has in recent years targeted reductions in energy consumption through installation of specific energy-efficiency equipment and wider promotion of good house-keeping measures. Although influenced by both changes in energy consumption and relevant

conversion factors, the Council's carbon footprint reduced by some 6.8% in 2015/16 and further reductions in consumption and associated expenditure are forecast in the current year, subject to weather conditions.

- 3.15 Medium- to longer-term projections of energy costs are inherently uncertain, particularly in later years when the proportion of advance purchasing is lower and, as such, the susceptibility to price volatility higher. On the basis of available forecasts and anticipated reductions in consumption going forward, however, the level of incremental provision for subsequent years' inflationary uplifts has been revised downwards by £1m by 2019/20.

Apprenticeship Levy and superannuation costs

- 3.16 The UK Chancellor of the Exchequer's Autumn Statement in late November 2015 confirmed the introduction of an apprenticeship levy for larger employers to be implemented from April 2017. Payment will be set at 0.5% of each employer's basic wage bill, in the Council's case equating to an annual liability, after taking account of the rebate to which all employers are entitled, of around £1.8m. The Scottish Government will determine how the revenue raised in Scotland in respect of the levy is then allocated. While it is anticipated that at least an element of this revenue will be "recycled" to councils, on a prudent basis, the full sum has been incorporated within the framework on a recurring basis with effect from 2017/18.
- 3.17 While no specific plans have yet been announced, recent indications point to a further potential increase in employer superannuation contribution rates for teachers effective from 2019/20¹. In addition, evidence from other local authorities following the ending of the auto-enrolment "transitional period", the effect of which is to defer full introduction for those existing staff members who have previously confirmed their wish to opt out of their employer's pension scheme, suggests significant subsequent increases in scheme membership. The transitional period for the Council ends at the end of September 2017 so, in that sense, full provision for the apprenticeship levy provides some potential short-term contingency against an increase in membership levels in excess of current budget framework assumptions, although further recurring provision may be required in the longer term.

Inflationary contingency and staff release cost funding

- 3.18 Besides specific financial provision to reflect additional expenditure requirements arising from such factors as employee pay awards and demographic change, the budget framework includes allowance for more general inflationary pressures upon the Council's budget. Provision was also

¹ The budget framework already provides for a phased total increase in employer contribution rates of 1.5% over the period from 2018/19 to 2020/21 for Local Government Pension Scheme (LGPS) scheme members as intimated as part of the most recent triennial Lothian Pension Fund valuation.

previously made for £11.5m of additional annual costs arising from the implementation of Modernising Pay arrangements in October 2010. A re-assessment of the required overall level of provision across these areas has allowed some £3.6m of the remaining unutilised provision to be redirected to address other pressures in 2017/18.

- 3.19 In addition, in recognising the significant staff release costs associated with the Transformation Programme, on-going annual provision of £2.5m was made within the framework. Review of staff release costs incurred to date and anticipated by the end of the programme indicates that the remaining level of earmarked reserve funding identified should be sufficient to meet all costs, thereby again allowing the current framework allocation to be redirected to address other pressures.

Revenue grant funding projections

- 3.20 Members will recall that, following the later-than-usual publication of the UK-wide Spending Review in 2015, the Scottish Government issued only a one-year budget for 2016/17. While it was anticipated at the time that a multi-year draft budget would then be issued in September 2016, following the United Kingdom's vote on membership of the European Union, the Scottish Budget announcement is not expected to be issued until after the UK Chancellor's Autumn Statement (now confirmed to be on 23 November). As was the case for 2016/17, it is now the Scottish Government's intention to issue the Draft Budget and Local Government Finance Settlement on the same day, likely to be in mid-December. Scottish Government Ministers have also confirmed that the announcement will cover only one year.
- 3.21 In addition to any feed-through impact of current economic uncertainty on the level of UK-wide public expenditure, as part of the Scotland Act, the Scottish Government will acquire additional powers over income tax rates and thresholds from April 2017. The level of funding support made available to Local Government in 2017/18 and beyond will be further influenced by Scottish Government priorities and changes to Council Tax multipliers for higher-banded properties.
- 3.22 While necessarily based on a range of projections and assumptions, the recently-published Fraser of Allander Institute report on the Scottish Budget provides an insight into potential levels of revenue grant and non-domestic rates funding over the next few years. Under the scenario presented within the report, overall external council funding (excluding Council Tax) is forecast to reduce by an average of 2.5% per year in real terms over the period to 2020/21.
- 3.23 The Council's cash-terms level of grant funding reduced by 3.1% in 2016/17. The budget framework approved by Council on 21 January assumed further reductions of 1.24% and 0.5% respectively in 2017/18 and 2018/19, with a "flat-cash" (i.e. no change) settlement in 2019/20. On the basis of the above recent forecasts and indications received through COSLA, it would seem

prudent to revise downwards these assumptions and, in view of this, the updated framework increases the assumed cash-terms reduction in 2017/18 to 2.5% (equating to an overall reduction of about £18m) and that in 2018/19 to 1%. A flat-cash settlement is then assumed in each of the following two years. Analysed over the period from 2016/17 to 2020/21 as a whole, this revised assumed level of cash-terms reduction is consistent with the real-terms change noted above, although members should be aware that there remains the potential for the actual level of reduction to be more severe than this.

- 3.24 In addition, while the budget framework includes provision for an uplift on all staff salaries in 2017/18, should a lower level of increase be negotiated, the resulting savings could act as a “buffer” against a lower level of grant funding settlement in that year, with the position for following years subject to review as additional details become available.
- 3.25 While the effect on the budget framework would be expected to be net-neutral, members are reminded of the Scottish Government’s intention, subject to securing Parliamentary approval, to amend the multipliers applied to properties within Council Tax bands E to H with effect from April 2017. Across Scotland as a whole, these changes are expected to increase annual Council Tax income by some £110m, with around £16m of this raised in Edinburgh. Discussions over the distribution amongst authorities of these additional monies, which will be targeted specifically at reducing gaps in educational attainment, are continuing. Based on a distribution informed by free school meal entitlement, Edinburgh’s allocation may be around £8m. Any difference between the amount collected within an authority’s area and its assessed need under the distribution formula will be addressed by means of a corresponding adjustment to its revenue grant.

Overall impact of changes

- 3.26 Review of the expenditure and income assumptions within the budget framework has sought to strike an appropriate balance between accommodating known or emerging pressures and contingencies and maintaining the integrity and, in particular, sustainability of the model as a whole. On that basis, subject to delivery of all approved savings and management of pressures, the framework remains balanced in 2017/18 and 2018/19.
- 3.27 Members may recall that the framework approved in January 2016 contained a time-limited “contingency” in 2017/18 and 2018/19. This has been applied to address anticipated reductions in grant funding and other expenditure pressures over this period with a view to providing greater stability to plan for, and deliver, further necessary savings in 2019/20 and beyond. Subject to the caveat around the delivery of Health and Social Care services above, as previously indicated it is envisaged that the residual gaps in 2019/20 (£15.4m) and 2020/21 (a further £11m) will be addressed through delivery of efficiencies

associated with the bedding-in of the changes resulting from the transformation programme.

Progress in delivery of further actions set out within budget motion

3.28 In addition to approving a range of specific savings proposals, the budget motion instructed officers to undertake a number of wider actions. An initial update on progress was provided to the Finance and Resources Committee on 12 May 2016, indicating that work towards meeting a number of the objectives was already well underway. Since that time, further actions have been undertaken including:

- i. Following consideration by the Finance and Resources Committee on 17 March 2016 of an initial report on **deepening current joint working with voluntary sector partners**, a further report on lessons learned from the recent grant awards programme was considered by Council in June;
- ii. The report by the Acting Director of Services for Communities to the Corporate Policy and Strategy Committee on 4 August 2015 advised that there is a likelihood that some properties are not identified as Common Good and therefore not included on the **Council's asset register for the Common Good**. A team has now been established, in line with the provisions of the Community Empowerment (Scotland) Bill, which will be responsible for compiling the Common Good Asset Register as reported to Council on 2 June 2016. The team's initial focus will be on examining those assets historically thought to be Common Good;
- iii. An initial assessment of the actual **equalities and rights impacts**, and consequent effectiveness of the mitigating measures put in place, of the approved budget proposals for 2016/17 was considered by the Finance and Resources Committee on 9 June; and
- iv. On-going investment in **energy efficiency** measures and promotion of effective energy management means that, based on estimated consumption and energy tariffs, the Council is on target to reduce energy spend in 2016/17 by £1m compared to 2015/16 levels.

Management of risks and pressures

3.29 While the focus of the budget process is generally on the specific new measures that form the basis of elected member and public consideration, active management of risks and pressures is also vital to delivering a balanced budget and thereby maintaining financial stability. Executive Directors' responsibility to manage such risks and pressures within a balanced overall position is enshrined within the Financial Regulations.

3.30 At this stage, Executive Directors have identified a number of expenditure pressures, as well as some savings proposals, a shortfall against which is now

forecast. While there is, in some cases, an overlap between the respective elements, the main expenditure pressures identified are:

- i. as part of developing the **Looked-After Children (LAC) Transformation Plan**, the then Director of Children and Families set a number of demanding targets seeking to reduce growth in absolute numbers of looked-after children and shifting the relative balance of care from external to internal settings. While the strategy has proved highly successful (with actual numbers of looked-after children in 2016 being consistent with 2011 levels, alongside an increase in foster placements with CEC carers and fewer placements in residential care), it is not now anticipated that the full five-year level of saving will be delivered, with an overall budgetary shortfall of £4.55m projected in 2017/18. This sum is broadly evenly split between underlying pressures in residential care and fostering and shortfalls against previously-approved targets within the LAC Plan. Given the tightness of the budget framework, the Executive Director is required to bring forward measures to mitigate the overall pressures or, alternatively or additionally, identify further savings proposals for consideration; and
 - ii. a report considered by the Transport and Environment Committee on 30 August 2016 set out a revised vision for **Transport for Edinburgh** as the strategic driver of integrated transport provision within the city. While the nature and scope of the company's activities will determine its precise expenditure and income profile, there is likely to be an on-going funding requirement from the Council.
- 3.31 The Chief Officer of the Edinburgh Health and Social Care Partnership has identified a number of potential risks around the availability of funding to meet the costs of key policy initiatives, particularly the full-year effect of the introduction of a Living Wage across the adult care sector from October 2016 and, in due course, any net call on councils in respect of the Carers' Act, particularly with regard to the waiving of current charges and costs of additional respite care. A range of further considerations was set out in the Financial Update report considered by the Integration Joint Board on 16 September. These risks, alongside financial implications of policy decisions around addressing waiting lists, will be informed by wider Settlement-related discussions through COSLA and with the Scottish Government.
- 3.32 While endeavouring to manage significant existing pressures within the overall service budget, the Executive Director of Place has identified potential opportunities to deliver significant service improvement and potential savings through the provision of additional upfront investment within, in particular, Waste and Roads services. Members will be provided with further details of these proposals as the budget process progresses.

Budget framework proposals

- 3.33 As outlined earlier in the report, in setting an indicative balanced overall position for 2017/18 and 2018/19, Council previously provided in-principle approval for a number of proposals. These proposals are set out in Appendix 2 for members' information. While previous sections of the report outline a number of changes to budget framework assumptions, subject to identification of mitigating actions and/or funding sources to address the issues and pressures above, full delivery of the proposals affecting later years of the framework would maintain this balanced position.
- 3.34 The savings proposals developed to address the funding gap in the second and third years of the framework comprise a combination of:
- i. those representing either the full-year effect of plans put in place in 2016/17 or otherwise considered "business as usual" and not substantially different from those already approved for delivery in the current year; and
 - ii. new proposals for delivery in 2017/18 or those representing a step change from the nature of the changes already approved for 2016/17.
- 3.35 Following the in-principle approval secured by means of the budget motion, officers have been developing business cases addressing savings proposals in the second category. In the majority of cases, detailed business cases have now been developed through the Transformation Programme and been the subject of detailed discussion both at the Project Board and with relevant Service Conveners. This consideration has resulted in the issuing of corresponding proposals, couched within four key themes relating to wider transformation across the Council, that will now form the basis of a number of weeks' public engagement.
- 3.36 In three specific cases, however, the plans developed through the Transformation Programme point to anticipated shortfalls against framework savings assumptions. In the case of **school instrumental music tuition** (£1.668m in 2017/18), despite consideration of a wide range of potential service delivery and charging models, it has not been possible to develop proposals striking the required balance between delivering the level of savings assumed within the framework and securing on-going service access. In addition, initial plans developed to support Phase 2 of the **Safer and Stronger Communities** organisational review have highlighted potential recurring annual savings shortfalls totalling £1m across the Advice Services and CCTV areas, with the proposals only part-meeting relevant savings targets. Assessment of potential changes to the delivery model for **school business support** also points to a recurring shortfall of £1.2m.

- 3.37 In the context of these potential shortfalls, members may wish to reconsider savings options not taken forward in previous years. In this regard, there may be opportunities to invest more fully in preventative services to realise future savings through reducing consequent demand. One such example is CCTV infrastructure, where, in addition to improving response times, service investment may serve as the platform for wider transformation and reduce the “on-site” staffing requirement for both the Council and its partners, particularly Police Scotland. While this would require a significant initial capital investment, currently estimated at £10.6m, relevant details will be reported to members as the budget process progresses.
- 3.38 Potential opportunities for loan debt re-provisioning, resulting in £2m of recurring annual revenue savings from 2017/18, have also been identified. It is officers’ recommendation, however, that these sums be used to supplement existing repairs and maintenance expenditure.

Capital Budget Framework 2016/20 update

- 3.39 Council approved the five-year capital programme for the period 2016/21 in January 2016. 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 earmarked to supplement planned repairs and maintenance spend through use of the Capital Fund and providing funding towards future LDP Infrastructure requirements; and
 - iii. the on-going lack of sustainable “headroom” within the revenue budget to support, on a recurring basis, the additional loans charge expenditure linked to additional borrowing.
- 3.40 As part of the 2016/21 CIP, Directors also identified their respective top three priorities, highlighting unfunded pressures totalling around £142m. Amongst these priorities are:
- i. **South Morningside Primary School**, with an estimated total cost of £12.7m (note the commencement of this is dependent on the new-build Dumbryden Care Home being delivered based on site transfer);
 - ii. **New-build Dumbryden Care Home** with an estimated funding gap of £1m / £4.3m based on whether a 60-bedded or 90-bedded option is progressed;
 - iii. Replacement **Meadowbank Sports Centre** with an estimated funding gap of £5.9m, however further work is currently being carried out to provide more

cost certainty around the total cost / funding package and will conclude later this financial year; and

- iv. Refurbishment and enhancement programme for **North Bridge** which is likely to cost at least £9m. Members will be aware of the action recently taken in response to routine inspection work.
- 3.41 As no firm grant allocations have been advised beyond the current year, an estimate of each year's General Capital Grant settlement has been factored in to the CIP for the period 2017/18 to 2020/21 based on a prudent estimate of the possible Scotland-wide funding and adjusted for the £10.3m allocation for 2016/17 which is to be paid over the three-year period 2017/18 to 2019/20 (based on a prudent assumption of receiving this all in 2019/20). Based on these assumptions, there is currently £7m of unallocated funding in each of 2019/20 and 2020/21.
- 3.42 Current indications suggest that the next Scottish Government Finance Settlement will be announced in December 2016 and, as with the revenue equivalent, this will be a one-year settlement rather than the previously- envisaged three-year award confirmation.
- 3.43 It is projected that the Scotland-wide quantum of capital funding for 2017/18 will likely show an increase relative to the figure for 2016/17. However, the precise distribution of this sum across sectors and on to individual councils will depend on Scottish Government priorities and as such the potential for General Capital Grant for 2017/18 to be higher than the estimate factored in to the current CIP may be limited. Any confirmed increase in grant funding will be considered for allocation by members, taking cognisance of capital priorities, as part of the wider 2016/20 budget framework process.

Measures of success

- 4.1 Relevant measures in setting the revenue budget include:
- i. 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 2017/18 and subsequent years to be set as part of a longer-term sustainable framework;
 - ii. Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
 - iii. Subsequent delivery of the approved savings, particularly where these are linked to additional service investment, along with key service performance indicators.

Financial impact

- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

Risk, policy, compliance and governance impact

- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee in January and referred to Council as part of setting the revenue and capital budgets.
- 6.2 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 expected service impacts outlined in the respective budget proposals. This process has been aided by the integration into a single cost reduction plan of savings derived from the respective transformation and service prioritisation programmes, monitoring against which is being reported to the Finance and Resources Committee on a bi-monthly basis.
- 6.3 Recent improvements to the budget monitoring process should also enhance CLT and elected member scrutiny of the management of service pressures and delivery of approved savings. A summary of progress is reported to the Finance and Resources Committee on a quarterly basis, with additional detail and commentary on risks, mitigations and alternative measures (as appropriate) reported to Executive Committees.

Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.
- 7.2 As noted at 3.28 above, an initial assessment of the actual equalities and rights impacts of those budget proposals assessed to have the potential for significant relevance was reported to the Finance and Resources Committee on 9 June.

Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all

budget proposals are now subject to an upfront assessment across these areas.

Consultation and engagement

- 9.1 As in previous years, an extensive programme of engagement will be undertaken within the context of the Council's wider transformation programme. The main elements of the proposed programme were set out in a report to the Finance and Resources Committee on 18 August 2016.

Background reading/external references

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 24 September 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 26 November 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 14 January 2016

[Council's Budget 2016/17 – Risks and Reserves](#), Finance and Resources Committee, 14 January 2016

[Capital Investment Programme/Plan 2016/17 to 2023/24](#), Finance and Resources Committee, 14 January 2016

[Capital Coalition Budget Motion](#), City of Edinburgh Council, 21 January 2016

[Business Bulletin](#), Finance and Resources Committee, 17 March 2016

[Revenue and capital budget framework 2016/20: potential equalities and rights impacts of approved proposals](#), Finance and Resources Committee, 9 June 2016

[Revenue Monitoring 2016/17 – Period 3 position](#), Finance and Resources Committee, 18 August 2016

[Scotland's Budget 2016](#), Fraser of Allander Institute, September 2016.

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
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Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives.
Single Outcome Agreement	
Appendices	One – Revisions to revenue budget framework assumptions, 2017/18 to 2019/20 Two – Savings approved for delivery in 2017/18 as part of January 2016 budget motion

REVISIONS TO BUDGET FRAMEWORK ASSUMPTIONS, 2017/18 TO 2019/20

	2017/18 £m	2018/19 £m	2019/20 £m
Indicative (surplus)/deficit per approved budget framework, 21 January 2016	(0.061)	(0.061)	15.339

Changes to framework assumptions - expenditure:
Increases in expenditure:

Demography - additional provision based on updated Communities and Families assessment	0.700	1.951	3.226
Creation of "buffer" against further reduction in Scottish Government grant funding in 2017/18, subject to level of pay award (1% assumed)	2.678	2.678	2.678
Introduction of apprenticeship levy with effect from April 2017	1.800	1.800	1.800

Decreases in expenditure:

Health and Social Care - introduction of assumed 3% efficiencies requirement from 2018/19	0.000	(5.592)	(11.296)
Energy tariffs - reduction in level of uplift provided	0.000	(0.750)	(1.000)
Revisions to staff release cost provision and other inflationary assumptions	(4.930)	(8.331)	(7.699)

Changes to framework assumptions - income:

General Revenue Grant - revised assumptions, providing for a total 2.5% year-on-year reduction in 2017/18 and a further 1% overall reduction in 2018/19	8.867	12.352	12.352
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Other:

Application of contingency/risk provision underpinning approved framework in January 2016	(9.053)	(4.047)	0.000
Updated budget framework position, 29 September 2016	0.000	0.000	15.400

SAVINGS APPROVED FOR DELIVERY IN 2017/18 AS PART OF JANUARY 2016 BUDGET MOTION

Appendix 2

Area	Division	Savings 2017/18 £m
Chief Executive (including Safer and Stronger Communities)		
Strategy and Insight	Strategy	0.330
Transformation and Business Change	Strategy	0.317
Digital and IT	Strategy	0.348
Information Management	Strategy	0.140
Members' Services	Strategy	0.107
Re-design of Safer and Stronger Communities (including Advice)	Safer and Stronger Communities	0.880
Re-design of Homelessness Services (General Fund share)	Safer and Stronger Communities	0.098
Total Chief Executive (including Safer and Stronger Communities) savings		2.220
City Strategy and Economy		
Culture service restructure	Culture	0.123
Culture Third Party Payments	City Strategy and Economy	0.155
Economy Third Party Payments	City Strategy and Economy	0.154
Review funding arrangements for Winter Festivals	Culture	0.400
Total City Strategy and Economy savings		0.832
Communities and Families		
Efficiencies within social, emotional and behavioural needs (SEBN) secondary provision	Children's Services	0.675
Review of support staff within all Special Schools Management	Children's Services	0.292
C&F Third Party Payments	All service	1.095
Sport Third Party Payments	Communities and Families	0.119
Reduce residential provision by four beds	Communities and Families	0.407
Reconfiguration of residential provision	Children's Services	0.250
Reconfigure primary and secondary social, emotional and behaviour difficulties support	Children's Services	0.076
Parenting support review	Children's Services	0.073
Family Solutions review	Children's Services	0.050
Redesign of Libraries Service	Children's Services	0.102
Redesign of Music Instructor Service	Schools & Lifelong Learning	2.546
Prioritise the funding which supports schools in areas of deprivation	Schools & Lifelong Learning	1.668
Efficiencies in the revenue implications of infrastructure development	Schools & Lifelong Learning	0.070
Total Communities and Families savings		0.050
Health and Social Care (revised savings as approved by Edinburgh Integrated Joint Board, 13 May 2016)		
Transformation: Organisational Review	Schools & Lifelong Learning	5.437
Transformation: re-ablement, demand management and telecare	Service-wide	4.969
Mental Health and Redesign	Service-wide	0.080
Social Care Fund	Mental Health	(3.543)
Total Health and Social Care savings		6.943
Place		
Public Health	Environment	0.154
Licensing and Trading Standards	Housing and Regulatory Services	0.040
Transport Management	Planning and Transport	0.324
Increase parking charges by an average of 4.5% per year over four years	All service	0.964
Parks and Greenspace	Planning and Transport	1.050
Task Force	Environment	0.236
Waste Services	Environment	0.383
Stop Repairs and Maintenance of Stair Lighting Service in Tenements	Environment	0.364
Reduce internal transport	Housing and Regulatory Services	0.250
Total Place savings	Environment	0.100

Area	Division	Savings 2017/18 £m
Resources		
Finance	Finance	0.126
Commercial and Procurement	Finance	0.457
Internal Audit and Risk	Legal and Risk	0.040
Legal Services	Legal and Risk	0.259
Human Resources	Human Resources	0.101
Business Support	Customer	5.540
Customer Services	Customer	2.776
Asset Management (gross savings)	Property and Facilities Management	0.800
Total Resources savings		10.099
Council-wide		
Reduce use of agency staffing by 20%	All	1.333
Increase in discretionary income - Retail Price Index (RPI) plus 2%	All	1.000
Total Council-wide savings		2.333
Total savings		33.765

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

Internal Audit Quarterly Update Report: 1 January 2016 – 31 March 2016– referral from the Governance, Risk and Best Value Committee

Item number	7.8
Report number	
Wards	All

Executive summary

The Governance, Risk and Best Value Committee on 23 June 2016 considered a report which detailed the Internal Audit progress for the period 1 January 2016 to 31 March 2016.

The report has been referred to the Finance and Resources Committee on the recommendation that high risk findings from audit reports be submitted to their parent Committee for information. These relate to the internal audit reports for the Governance Arrangements for Arms Length Companies and Continuous Controls for One Time Payments.

Links

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

Terms of Referral

Internal Audit Quarterly Update Report: 1 January 2016 – 31 March 2016

Terms of referral

- 1.1 On 23 June 2016, the Governance, Risk and Best Value Committee considered a summary of the findings and status of work from the Internal Audit plan of work. The plan is updated throughout the year with additional reviews and any emerging risks.
- 1.2 The report by the Chief Internal Auditor highlighted the progress made along with 18 reports, categorised by level of risk.

Details of the action plans with implementation dates to mitigate any findings were also contained within the report. Any action which remained outstanding after the agreed implementation date would be reported back to the Governance, Risk and Best Value Committee.

- 1.3 The Governance, Risk and Best Value Committee agreed:
 - 1.3.1 To note the progress of Internal Audit in issuing 18 internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.
 - 1.3.2 To refer the 5 reports noted in Appendix 1 of the report to the Audit and Risk Committee of the Edinburgh Integrated Joint Board.
 - 1.3.3 To request that high risk findings from audit reports be submitted to the relevant parent committee for information.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked to note the attached audit reports with high risk findings concerning Governance Arrangements for Arms Length Companies and Continuous Controls for One Time Payments.

Background reading / external references

[Minute of Governance, Risk and Best Value Committee – 23 June 2016](#)

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

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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 23 June 2016

Internal Audit Quarterly Update Report: 1 January 2016 – 31 March 2016

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

Internal Audit has made reasonable progress in the final quarter of the audit year. This report provides details of the activity from 1 January 2016 – 31 March 2016.

Links

Coalition pledges	PO30
Council outcomes	CO25
Single Outcome Agreement	

Internal Audit Quarterly Update Report: 1 January 2016 – 31 March 2016

Recommendations

- 1.1 Committee is requested to note the progress of Internal Audit in issuing 18 internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.
- 1.2 Committee is requested to refer the 5 reports noted in Appendix 1 as potentially being of interest to the Audit & Risk Committee of the Edinburgh Integrated Joint Board to that Committee.

Background

- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.
- 2.2 Status of work and a summary of findings are presented to the Governance, Risk and Best Value Committee for consideration on a quarterly basis.

Main report

- 3.1 Internal Audit has made reasonable progress in the final quarter of the audit year with 18 reports being issued for the quarter. These reports contain a total of 8 High, 28 Medium & 11 Low findings.
- 3.2 The status of outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report from 1 January 2016 to 31 March 2016'.
- 3.3 Appendix 1 provides a summary of reports and the classification of findings in the period. A copy of all final reports is available to members.
- 3.4 Appendix 2 provides a summary of the High Risk findings and associated management actions.

Measures of success

- 4.1 Once implemented, the recommendations contained within these reports will strengthen the Council's control framework.

Financial impact

- 5.1 None.

Risk, policy, compliance and governance impact

- 6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.
- 6.2 To mitigate the associated risks, the Committee should review the progress of Internal Audit and the higher classified findings, and consider if further clarification or immediate follow-up is required with responsible officers for specific items.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

- 8.1 None.

Consultation and engagement

- 9.1 None.

Background reading/external references

- 10.1 None.

Magnus Aitken

Chief Internal Auditor

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Links

Coalition pledges	PO30 - 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	Appendix 1 – Summary of Internal Audit report findings issued for period of 1 January 2016 – 31 March 2016. Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 January 2016 – 31 March 2016.

Appendix 1

Summary of Internal Audit reports issued for period 1 January 2016 – 31 March 2016

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
Contract Management – Roads – SFC 1505	2	4	-	-
Management of Devolved Neighbourhood Environmental Programme & Community Grant Funding CW1503	2	2	-	-
Schools IT Systems – CF1513	1	3	1	-
Continuous Testing - One Time Payments – CG1503	1	3	-	-
Governance Arrangements – Arms Length Companies – CW1502	1	3	-	-
Retention of Corporate Knowledge – CG1515#	1	2	-	-
Edinburgh Shared Repairs Service – Emergency Repairs – SFC1507B	-	4	3	1
LBCJA – Information Governance – JB1504	-	3	1	-
Resilience Planning (Communities & Families) – CF1519	-	2	2	-
Additional Support for	-	1	2	-

Learning – CF1521				
Implementation of 2016/17 Savings - CW15015#	-	1	-	-
Implementation of the Children & Young People's Act – CF1514	-	-	2	-
Continuous Testing – Payroll – CG1512#	-	-	-	-
<i>Total</i>	8	28	11	1
Other Internal Audit Outputs				
Business Continuity Management -Tattoo – JB1503*	2	1	1	-
Review Recommend – Edinburgh Shared Repairs Services – SFC1507A	N/A	N/A	N/A	N/A
Review of Health & Safety Management System with a focus on Asbestos, Driving and Hand Arm Vibration Working Groups#	N/A	N/A	N/A	N/A
Schools Assurance Pilot Framework- Thematic Response – CF1520	N/A	N/A	N/A	N/A
Health & Social Care - Service Matching Unit – Desktop review#	N/A	N/A	N/A	N/A

* Given that the Tattoo is an independent Charity and not part of the Council, the details of the High Risk Findings have not been included within Appendix 2.

These reviews may be of interest to members of the Audit & Risk Committee of the Edinburgh Integrated Joint Board and it is proposed these reviews are referred to that Committee.

City of Edinburgh Council

Internal Audit

**Quarterly Summary of Critical/High Risk
Findings and Management Actions**

(31 December 2015 - 31 March 2016)

Contents

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- Section 6 – Retention of Corporate Knowledge21

Section 1 – Contract Management - Roads

SFC1505

Total number of findings

	Critical	High	Medium	Low
Total	-	2	4	-

Background

The Neighbourhood Roads Teams across the City are allocated an annual revenue budget of £4.9 million across the six Neighbourhoods (soon to be four Localities) for road repairs and renewal and a Capital budget of £0.9m to spend under the Neighbourhood Environmental Programme and on smaller projects such as carriageway enhancement, drainage improvements and bus stop maintenance.

The Neighbourhood Roads Teams are responsible for designing and commissioning works within the budgets allocated to them. Work is directed first to the Edinburgh Roads Service (ERS), before being sent to a framework contractor where ERS do not have the skills or capacity to complete the work.

This audit focussed on works completed by the ERS which were commissioned by the West Neighbourhood Office. However, the findings should be taken as indicative of areas where it is possible that adequate controls and processes have not been fully adopted by all the neighbourhood offices. Management have proposed actions to address our findings which will be rolled out across the new locality roads teams.

Scope

The scope of this review will be to assess the design and operating effectiveness of the Council's controls for the prioritisation of maintenance and improvement works and controls over works contract management. The sub-processes and related control objectives included in the review are:

- Prioritisation of work;
- Allocation of work; and
- Contract Management

Testing for this audit was limited to work completed by the internal Edinburgh Roads Service and commissioned by the West Neighbourhood Office. We also walked through the process used by the central Transport team to manage works carried out by Edinburgh Roads Service to assess the design and implementation of controls.

Local Roads Programme works completed by external framework contractors are included within the scope of the Neighbourhood Partnerships review.

Summary of High Risk Findings

Budgetary control and financial management

There is no consistent or robust process for managing the costs of works undertaken by ERS. Through discussions with officers at the West Neighbourhood Office and the Central Transport department we noted that:

- There is no schedule of rates for works carried out by ERS. This means budgets for works cannot be completed accurately;
- ERS are not required to obtain approval from the commissioning manager for an extension to approved works, or where additional labour, plant or materials are required;
- As ERS is part of the Planning and Transport service, payment for labour, plant and materials is by internal transfer which does not have to be authorised by the commissioning manager from the Transport department or the Neighbourhood Office;
- There was no evidence retained that costs charged by ERS are reviewed by the commissioning manager; and
- Costs are recorded on Axim, while the estimated works budget is recorded on the Confirm project management system. There is no link between the systems, so budget variances must be calculated manually.
- The additional costs of any remedial works are charged to the commissioning roads teams on top of the original budget. They are not able to reclaim those costs from ERS.

Quality

Reviews undertaken by the Transport Interim Quality Audit Team identified works and materials failures resulting in major remedial works at additional cost to the Council. The Transport Interim Quality Audit Team was a short-life working group and has now been disbanded.

Officers were unable to demonstrate that site visits are carried out as a matter of routine by project or commissioning managers to confirm that the quality and extent of works completed are satisfactory.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<p>Contract Management - Financial Management</p> <p>The road and footway contract process should include robust monitoring of contract expenditure. This should include:</p> <ul style="list-style-type: none"> • Accurate budgeting of work assisted by a schedule of rates; • Documented approval of variations to agreed work; • Exception reporting to highlight overspend against budget; and • End of works review of expenditure to ensure commissioning managers are satisfied that all work and costs are appropriate. 	<ol style="list-style-type: none"> 1. For Locality (Revenue) Work, estimated works costs are prepared and noted on Confirm (Works Management System) making use of compound rates. Ensure that future works estimates make use of agreed and future schedule of rates. Responsible Officer: North-West Local Transport & Environment Manager 2. For Locality (Revenue) Works, introduce a protocol to ensure that additional works are agreed, where reasonably possible, with the Commissioning team prior to commencement. Responsible Officer: North-West Local Transport & Environment Manager 3. For all Capital and Revenue Work, introduce an internal contract process to manage works estimating, charging, completion sign off by the 	<p>30 June 2016</p> <p>1 October 2016</p> <p>30 October 2016</p>	<p>Not due</p> <p>Not due.</p> <p>Not due.</p>

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	<p>client and final account closure.</p> <p>Responsible Officer: Transport Infrastructure Manager</p> <p>4. Establish remedial works protocol to ensure Commissioning teams are not charged for defective works.</p> <p>Responsible Officer: ERS Manager</p>	1 October 2016	Not due.
<p>End of Works Quality Assessment</p> <p>An end of works quality assessment should be conducted and documented before final payments are made to contractors and ERS. This review should be carried out by a qualified member of staff who can assess the work carried out against the industry standards and contract requirements.</p>	<p>1. Recommendation accepted – ongoing site visits to be adequately recorded and final quality inspection process to be developed, by the Locality Transport teams, for appropriate works.</p> <p>Responsible Officer: North-West Local Transport & Environment Manager</p> <p>2. Sample Inspections for Revenue works (commissioned by Locality Teams) are currently undertaken and will be recorded through Confirm. (Audits of above to be undertaken to ensure compliance)</p> <p>Responsible Officer: North West Local Transport & Environment Manager</p> <p>3. Site visits (and Final Inspections) to be carried out by commissioning teams for all Capital schemes and significant revenue works.</p>	<p>30 June 2016</p> <p>30 June 2016</p> <p>30 June 2016</p>	<p>Not due</p> <p>Not due</p> <p>Not due</p>

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	<p>Responsible Officer: Transport Infrastructure Manager</p>		

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Section 2 – Management of the Devolved Neighbourhood Environmental Programme and Community Grant Funding

CW1503

Total number of findings

	Critical	High	Medium	Low
Total	-	2	2	-

Background

Community Grant Funding

Devolved Community Grant Funding ('CGF') to Neighbourhood Partnerships aims to encourage community-run projects which benefit the local community and support the implementation of Local Community Plans. Constituted groups from the local area can apply for a grant of up to £5,000 for a project which demonstrates community benefit. Each Neighbourhood Partnership Board manages the annual fund according to local structures and priorities but all use the Council's approved community grant funding criteria, standard application form and Council Funding Conditions. Community Grant Funding available to local areas in 2015/16 totalled £405,678.

Following consultation, some Neighbourhood Partnerships have taken this a step further and have fully devolved the budget and responsibility for selecting successful bidders to local residents groups, who arrange open community voting for projects. This is known as 'participatory budgeting'.

Neighbourhood Environmental Programme

The Neighbourhood Environmental Programme ('NEP') covers two distinct work streams: Roads and Footways ('General Fund') and Housing Regeneration Projects ('HRA').

HRA is restricted to areas where there is Council housing and allocated on the basis of local Council rental income. Neighbourhood Partnerships decide how the HRA budget will be spent, but works are commissioned and managed by the central Housing Asset Management team.

The NEP is devolved to the neighbourhoods and managed by Area Roads teams. NEP Community groups and local inspectors identify potential projects in their local area. The Neighbourhood Partnership, community representatives and Area Roads team members then discuss each project and prioritise them to create a works programme. Projects are commissioned and managed by the Area Roads teams, and the processes followed vary from team to team.

In 2014/15, only 70% of the full £1.1 million General Fund budget was spent; HRA spend was 73% of the £2.2 million budget allocation. The projected spend in 2015/16 is 68% of the allocated budget for the General Fund and 59% of the HRA budget.

Scope

The scope of this review was to assess the design and operating effectiveness of the Council's controls for ensuring accountability and appropriate management of spend on behalf of Neighbourhood Partnerships and Council tenants. The audit concentrated on two funding initiatives, Community Grant Funding and the Neighbourhood Environmental Programme.

The sub-processes and related control objectives included in the review were:

- Accountability;
- Management of spend; and
- Performance management.

We visited four of the six Neighbourhood offices to review the CGF and NEP processes.

Summary of High Risk Findings

Project documentation and records retention on Edinburgh Roads Services projects

Neighbourhood Offices commission Edinburgh Roads Services (ERS) to deliver a proportion of General Fund projects and some HRA projects. Where ERS was used, officers from both services were unable to provide documents to demonstrate that key contract and legislative requirements had been met, including:

- Health and Safety risk assessments;

- Scope of works including costs;
- Project acceptance by a senior officer in the Neighbourhood Office;
- Project acceptance by Edinburgh Roads Service;
- Inspection of completed works by the project manager;
- Evidence that costs charged by Edinburgh Roads Service are reviewed by a senior officer in the Neighbourhood Office; and
- Final sign off of completed works by a senior officer in the Neighbourhood Office

The documents should have been retained to comply with the Council's Record Retention policy. It was unclear if they had ever existed and if so, whether they had been destroyed or archived in a manner which made them difficult to recover.

Budget monitoring

Expenditure against budget is not routinely reviewed by locality managers or reported to Neighbourhood Programme Boards. Internal Audit had to specifically request the preparation of financial information as at 29 February 2016 to establish the current financial position for NEP expenditure in each Neighbourhood. 'Committed spend', being the cost to the Neighbourhood Partnership if all planned projects were completed in the year, is reported. However, as indicated by the unspent budget in 2014/15, planned projects are often delayed or dropped. This means that:

- Financial reporting will often show an overspend against budget in the expectation that projects will be postponed or dropped later in the year;
- Budget carried forward from the previous year is not clearly identified; and
- Neither the neighbourhood manager nor the Neighbourhood Partnership Board has sight of actual spend against budget through the year.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Retention of project documentation The process for commissioning and managing NEP projects undertaken by ERS should be mapped, with key documents such as a schedule of works, a health and safety risk	1. The process for managing NEPs projects (commissioned by locality teams) should comply with the current Locality Quality Assurance Operational Guide, which covers Construction	31 October 2016	Not due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<p>assessment and final project sign off identified.</p> <p>Key documents must be retained in accordance with the Council's records management policy.</p>	<p>Design & Management. The Operational Guide will be reviewed and updated by Locality Teams with assistance and support from the core Transport Team to ensure it is fit for purpose and reflects current CDM regulations 2015.</p> <p>Responsible Officer: Locality Manager with support from the Transport & Infrastructure Manager</p> <p>2. Refresher training will be targeted to all locality roads managers and relevant ERS and local roads team members.</p> <p>Responsible Officer: Locality Manager</p> <p>3. Increase awareness of the Council's record management system by ensuring that all team members complete Council-wide mandatory training on information governance.</p> <p>Responsible Officer: Locality Manager</p>	<p>30 November 2016</p> <p>31 July 2016</p>	<p>Not due.</p> <p>Not due.</p>
<p>Budgeted and actual expenditure monitoring</p> <p>A robust budget monitoring process should be introduced for use consistently across the neighbourhoods and localities. This should give neighbourhood managers a clear view of actual spend against budget through the year.</p> <p>Performance should be reported regularly to the</p>	<p>A budget monitoring tool has now been developed to monitor the progress of Locality Commissioned work, including NEPS. This will give Neighbourhood Partnerships up-to-date information on actual and budgeted spend for each project and will be completed and shared with all NEP budget holders each month.</p>	<p>30 June 2016</p>	<p>Not due.</p>

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<p>Neighbourhood Partnership Board. This should include:</p> <ul style="list-style-type: none"> • Actual expenditure against allocated grant funding; • Projects not completed within the year; • Explanations where there is a significant variance against budget on approved projects; and • Budget carried forward from the previous year. 	<p>Monthly meetings to be established with all Localities NEP budget holders to review job progress, spend to date and budget forecast and budget profile. Progress of projects should be agreed with any variance in costs agreed. Re-profiling of budgets will also be discussed and agreed at the meetings. These meetings should promote best practice and consistent approach throughout all Localities.</p> <p>Responsible Officer: RAMP Planning & Programme Manager</p>		

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Section 3 – Schools IT systems

CF1513

Total number of findings

	Critical	High	Medium	Low
Total	-	1	3	1

Background

The school IT estate consists of hardware acquired centrally by the Council under a BT service contract and hardware purchased directly by schools. Schools are responsible for managing all devices purchased outside the BT service contract using school funds.

School-managed devices are predominantly iPads purchased for classroom use. Models vary from single classroom iPads to 'one-to-one' schools where each pupil is assigned an iPad. The Digital Learning Team encourages schools to use Meraki to manage iPad use. This is mobile device management software which enables schools to monitor the use of devices and enforce passwords and security settings.

Access to school servers is restricted to devices purchased under the BT service contract. All other devices, including school-managed computers and tablets, only have web access. Office 365 is being introduced to schools to facilitate remote working. Office 365 is a web-based application which allows secure access to emails and cloud storage, and enables users to share documents securely.

Scope

The scope of this review was to assess the design and operating effectiveness of controls relating to access to applications and data in the school IT estate. The review was focussed on school-managed devices and covered:

- Security requirements for access to applications and data;
- IT policy;
- Tracking of hardware; and
- Reporting of security issues.

Summary of High Risk Finding

Use of Non-BT Devices

Teaching staff commonly use personal and school-managed computers for work purposes, which may on occasion involve personal and sensitive data. These are not supported by BT and as such may not have full security such as passwords and anti-virus and encryption software installed. We identified one instance where sensitive personnel data was held on an unencrypted memory stick.

Office 365 has been introduced to all schools. However, use of Office 365 is still limited in some schools and there is evidence that data is still stored on personal and school-managed hard drives.

While staff are required to comply with the corporate Acceptable Use of IT policy, the policy does not specify security required when staff are using their own device for work purposes. We further note that staff at six of 14 schools visited by Internal Audit had not completed mandatory training on information governance at time of our audit visits between September and November 2015.

Recommendation and Agreed Management Action for High Risk Finding

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>School staff should be encouraged to use Office 365 exclusively when using a non-BT managed device for work, and ensure that their device is password protected.</p> <p>Guidance on the use of non-BT managed devices for work should be issued to schools</p>	<p>We will prepare concise, easy-to-use guidance on the use of non-BT managed devices for work, specifying security requirements. The guidance will be introduced to schools at head teachers' and ICT co-ordinators' forums. The guidance will be circulated to schools. Staff will be asked to sign to confirm that they have read and understood the guidance annually.</p> <p>Responsible Officer: Systems Admin Lead Officer –</p>	31 March 2016	This process has been delayed with the revised implementation date now 31 August 2016

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>staff, including</p> <ul style="list-style-type: none"> • Secure storage of data on Office 365 or an encrypted device; • Anti-virus software; • Passwords; and • Physical security. <p>All staff should be required to confirm understanding of and compliance with the guidance.</p>	Digital Learning Team		

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Section 4 – Continuous Testing – One Time Payments

CG1503

Total number of findings

	Critical	High	Medium	Low
Total	-	1	3	-

Background

A one time payment request is a request for payment that does not relate to any contract for the supply of goods and services. Typical examples of their use are: refunds, (including housing benefits, council tax or parking fines), damage and loss claims, and payroll corrections. Payments are generally made by the completion of a 'One Time Payment' Form. Payments can be made by cheque through the Oracle payment system or by raising a payment through the RBS Bankline system with a 'dummy invoice' being raised within the Oracle payment system.

The payments are processed centrally by the Payments Services Team; with the exception of Benefits, Council Tax, Non-Domestic Rates (NDR), and Payroll. However cancellations or corrections to the subsets above fall to the central team to process. In 2014/15 the activity for one time payments was 20,315 transactions to the value of just under £10.3 million pounds.

Scope

The scope of the review was to assess the design and operating effectiveness of the Council's controls over one time payments. The sub-processes and related control objectives included in the review are:

- Appropriateness;
- Multiple Payments; and
- Channel Shift.

Summary of High Risk Finding

Authorisation controls

There are no effective controls around authorisation and approval of the 'One Time Payment' (OTP) payments.

The current Oracle payment system does not record the name of the person who is authorising the payment; thereby OTP bypasses hierarchy controls. A paper form, requiring two signatures, is sent from the service area to the Payments Services Team, however.

- Some forms are 'pp' by a member of staff within the authorisation field; and.
- Some signatures are illegible therefore it is unclear who the signature belongs to.

These payments are processed by the Payments Services Team as the current assumption is that they have been authorised by the service area; and there is no authorised signatory list or delegated authority level for the team to refer to.

Recommendation and Agreed Management Action for High Risk Findings

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>Effective authorisation controls should be implemented immediately. Each Service area should be required to provide a delegated authority level, for example Level 4 Manager, Team Leader, etc. and advised of the requirement for forms to be completed fully and legibly.</p> <p>Payments Services should act as the key control in this system and the default position should be to return inappropriate or incomplete forms to service area.</p>	<p>With immediate effect, no one time payment form with a 'pp' within the authorisation field will be accepted for payment process by Payment Services, and will be returned to originator.</p>	18 January 2016.	Satisfactorily completed
	<p>Payment Services will take control and act on a new process which will include contacting departmental Heads of Service and requesting an updated signature list of staff (Tier 4 or Team Leader grade), who will be responsible and authorise all One Time Payments relating to their area(s).</p> <p>Payment Services staff will check all OTP's received</p>	29 February 2016	Satisfactorily completed

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
	<p>against agreed authorisation list before processing for payment.</p> <p>Any OTP application received by Payment Services without proper authorisation and backing documentation will be returned to department requester.</p> <p>Service to replace signature confirmation with email confirmation – with OTP requests/approvals only being accepted from agreed email addresses consistent with agreed departmental approval lists. This will remove uncertainty created by signature checks and move away from a paper based system. Emails will be stored in agreed archive to allow for audit checks and ongoing compliance monitoring. Activity to be phased in to ensure no inappropriate interruption to service.</p> <p>Responsible Officer: Payment Services Manager</p>	30 April 2016	Satisfactorily completed
One Time Payment functionality should be considered as part of any on-going review process and / or the new payment system implementation.	The Council will review one-time payment functionality within the new systems being introduced in October 2016 through the new ICT contract. Where opportunities exist to strengthen internal controls, for example, through the use of workflow, these will be explored	31 December 2016	Not due.

Section 5 – Governance Arrangements – Arms Length Companies

CW1502

Total number of findings

	Critical	High	Medium	Low
Total	-	1	3	-

Background

The Council has a significant interest in or provides significant funding to a number Subsidiaries, Associates and Trust Companies and the Council register (at the time of our review) had 20 'Companies' and 38 'Subsidiary companies' listed within the register.

The Council is responsible for ensuring that any company it sets up or funds can demonstrate best value in its use of public money. It is therefore critical that sound governance arrangements are in place for these organisations. Experience has shown how poor governance of Council companies can result in significant financial and reputational cost to the Council and an adverse impact on delivery.

A Capital Coalition working group of elected members ("Members' Working Group") considered officer recommendations and set out the arrangements that members wished to put in place in relation to Council companies. The proposals of the Members' Working Group were summarised within section 2 of the Council Companies report which was presented to 'Full Council' on 13.12.12. This report has formed the basis for the existing governance arrangements in place in respect of Arms Length Companies, concluded that:

- The funding agreements or shareholder agreements (between the Council and the company) should set out the objectives of the company linked to the outcomes the Council wishes to achieve, and specify the services and any other return the Council expects in exchange for funding.
- They should also set out the financial, performance reporting, accounting and audit requirements.
- Appropriate KPI's should be put in place to ensure the efficiency of the company's operations and demonstrate best value.

- The Council should receive monthly information from Council companies providing a level of detail which is appropriate.
- Existing agreements should be reviewed in line with these recommendations and monitoring rights should be rigorously enforced by the Council.
- The director of the relevant service area will be responsible for ensuring that the governance and performance of the companies is managed appropriately.

Scope

The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to governance arrangements over 'Council Controlled Companies'. The sub-processes and related control objectives included in the review were:

- Roles and responsibilities
- Governance Arrangements (entity)
- Governance Arrangements (Council Wide)

Summary of High Risk Finding

Independence

Conflicts of interest are difficult to define due to their inherent subjectivity and are often the subject of public scrutiny.

Elected members routinely sit on the Boards of Arms Length Companies and the linked executive Council Committee that oversees them. This results in a number of Councillors who are responsible for scrutinising Arms Length Companies also being directors of the companies, who are legally responsible for the actions of these companies.

This could be perceived as a conflict of interest as individual councillors are responsible for scrutinising actions that they are responsible for. This could result in the perception that Councillors' decisions are influenced by the Arms Length Companies and this situation does not in our opinion, meet best practice governance standards.

Councillors who are directors of EDI and EICC and scrutinising these companies could be perceived as being outwith the spirit of "The Standards Commission for Scotland Guidance on the Councillors' Code of Conduct".

This code defines holding office in a company as a 'Non-Financial Interest' (4.22). The code determines that an elected member with a non-financial interest should withdraw from any discussion (or vote) impacting the interest until the discussion (or vote) has concluded (5.7) unless the Interest is covered by a general or specific exclusion defined by 5.18 (d) of the code. An exclusion would only apply for a company if it was:

- I. established wholly or mainly for the purpose of providing services to the councillor's local authority; and

II. entered into as a contractual arrangement with that local authority for the supply of goods and / or services to that local authority.

It is not clear that EDI and EICC would meet these conditions. The minutes of the Economy committee do not suggest that Councillors who are directors of EDI & EICC withdraw when these companies are being discussed. .

Recommendation and Agreed Management Action for High Risk Findings

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>To avoid the perception that conflicts of interests exist at Committees' scrutinising Arms Length Companies;</p> <ul style="list-style-type: none"> • We would not recommend elected members being directors of Arms Length Companies, which are subject to scrutiny by committees on which they sit. • Where elected members are directors of an Arms Length Company that is being scrutinised by a committee on which they sit, we would consider that it would be good practise for them to withdraw when the relevant arms length company is being discussed. To facilitate this, we would recommend that the committee clerk's should invite all elected members to consider their position prior to any discussion on Arms Length Companies. 	<p>A report including this recommendation will be presented to Council on 28 April 2016. Any consequent adjustment to Board membership will be undertaken at the Council meeting on 2 June 2016.</p> <p>Committee clerks will immediately act in accordance with the decision taken by Council on 28 April when they consider governance arrangements for the Council's ALEOs and, specifically thereafter in reminding at Committee meetings the actions agreed on declaring interests and minimising the risk of potential conflicts of interest.</p> <p>Responsible Officer: Governance & democratic services manger</p>	<p>2 June 2016</p> <p>28 April 2016</p>	<p>A report proposing changes in line with the IA findings is now due to go to Council on 30 June.</p>

Section 6 – Retention of Corporate Knowledge

CG1515

Total number of findings

	Critical	High	Medium	Low
Total	-	1	2	-

Background

The Council is about to under-go a period of significant change as the restructuring programme gathers pace. This will see a significant number of individuals either change roles within or leave the organisation.

The retention of Corporate Information has historically been problematic for the Council and this has been highlighted in a number of incidents recently. Given the level of significant changes anticipated, it is important to ensure that Corporate Information is retained and managed consistently throughout the restructuring process.

Scope

The scope of this review will be to assess the Record Management (RM) controls in place to ensure that important Corporate Knowledge is retained when individuals change roles or leave the CEC. The sub-processes and related control objectives included in this review are:

- Joiners & Leavers; and
- IT Risk Management Access Controls.

Summary of High Risk Findings

Records Management Procedures

The Council's Records Management (RM) policy has been in force since September 2014 but the mandated local procedures to support compliance have yet to be fully embedded across the organisation.

The Council Records Management policy states that staff must follow local administrative procedures which are documented within local Records Management Manuals. Whilst records management practices are documented and controlled in some Council services, there are, as of yet, no formally approved records management manuals within the Council. We understand these will be developed over the next five years. The large transformation program underway in the council will stress the current local documentation and processes in place and the Council would benefit from approved Records Management Manuals being in place.

The Council Records Management policy states that the Information Governance Unit (IGU) will conduct rolling, periodic reviews of Records Management Manuals but this has not been included in the annual information governance plan.

Recommendation and Agreed Management Action for High Risk Findings

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<ul style="list-style-type: none"> • Develop a plan for roll out and review which must be tracked by the Information Council and appropriate senior management; • A review of the 'state of play' of any RM documentation needs to be undertaken by each Directorate; • Directorates / teams without a completed and approved RM manual must set a deadline and track through to completion; and • The Council should develop common Records Management procedures for services such as Finance, Health and Safety and HR that can then be 	<p>Development and roll out of a 5 year implementation plan by the IGU for the creation and review of records management manuals across the Council to be included in this year's information governance annual plan</p> <p>The IGU will work with DROs this year to review existing RM documentation – this will be incorporated into the implementation plan. Subsequent reviews will be split between the annual information governance maturity assessment and the IGU's rolling risk based review of RM manuals</p> <p>The IGU will work with the relevant service areas to investigate whether common procedures can be developed – this will be incorporated into the implementation plan</p>	<p>29 February 2016 for implementation plan development</p> <p>31 December 2016</p> <p>30 September 2016</p>	<p>Satisfactorily completed</p> <p>Not due.</p> <p>Not due.</p>

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>implemented in local directorates and teams.</p>	<p>The IGU to regularly report to the Information Council on progress with initial pilots, then the wider roll out and eventually a review and audit schedule</p> <p>Responsible Officers: Information Council / IGU members Directorates Records Officers</p>	<p>Ongoing</p>	

Finance and Resources Committee

10:00 am, Thursday, 29 September 2016

Provision of a Stair Cleaning Service to Domestic Properties from 2016-2020

Item number	7.9
Report number	
Executive/routine	
Wards	All

Executive Summary

This report outlines the result of a competitive tender process for the provision of a Framework for Stair Cleaning Services to Domestic Properties, and recommends the appointment of a city wide contract.

It is proposed that the new Contract will commence on 1 November 2016, for a period of up to four years. Based upon previous years' usage the overall value of the contract is estimated at £3,720,000.

Links

Coalition pledges	P25 , P28
Council outcomes	CO25
Single Outcome Agreement	SO4

Provision of a Stair Cleaning Service to Domestic Properties from 2016-2020

1. Recommendations

It is recommended that Committee:

- 1.1 Approves the appointment of a framework agreement, for the provision of the city wide stair cleaning service to domestic properties, to the three named service providers listed in paragraph 3.6 of the report.
- 1.2 Approves the award of a contract to the first ranked supplier, ISS UK Ltd.
- 1.3 Notes the framework and contract will operate for an initial period of two years from November 2016 to 2018, with the option to extend for up to a further 24 months.
- 1.4 Notes that the service charge to tenants for the remainder of 2016/17 will be frozen at £2.19 per week.

2. Background

- 2.1 Housing and Regulatory Services required the Framework Agreement for the Supply of Communal Stair Cleaning Services to be retendered, as the existing contract was due to come to the end of its maximum term.
- 2.1 The service covers 2,980 blocks located across the four localities. Of these blocks, 2,500 are fully or partially Council-owned, with 480 within the private sector, which are mainly located in the city centre. In those blocks that are partially owned by the Council, other homeowners and private landlords have the option of paying for the stair cleaning service or cleaning the stairs themselves on a rotational basis. In the 480 blocks in the private sector, property owners are billed in advance for the service.
- 2.2 Council tenants pay for this service as part of their overall rent charge. Owners are billed in advance for the service and, if the required payments are not made, the service is withdrawn.
- 2.3 The stair cleaning service was moved to a single city wide contract under the previous contract and delivered by a single supplier. This service model was retained in the specification for the new contract, with contingency arrangements as outlined at paragraph 5.4 to support potential expansion of the service.

3. Main report

- 3.1 Housing & Regulatory Services (Place) requested a replacement framework with a contract to be awarded for a period of two years, with a further two option periods of 12 months each.
- 3.2 The service specification and evaluation criteria were reviewed and developed with the service area, taking account of the tenant views on the service.
- 3.3 Commercial and Procurement Services (CPS), undertook a full tendering exercise utilising the Public Contracts Scotland advertising portal and the Official Journal of the European Union (OJEU).
- 3.4 A two stage tender evaluation process was undertaken and a price quality ratio of 60% price to 40% quality was applied, in order to select the tender that represented the best overall value for money. A summary of the tender process undertaken is provided at Appendix 1, and a summary of the pricing is provided at Appendix 2.
- 3.5 The weighting ratio for the evaluation was 60% price to 40% quality. The Quality/Cost scoring of the bidding suppliers, is as follows:

Supplier	Quality	Cost	Total	Rank
ISS UK Ltd	36%	60%	96%	1
Allander Cleaning Services Limited	24.5%	58.9%	83.4%	2
Sercon Support Services Ltd	32.5%	50.4%	82.9%	3
4 th Bidder	27%	53.8%	80.8%	4
5 th Bidder	27.5%	52.3%	79.8%	5
6 th Bidder	18.5%	59.6%	78.1%	6
7 th Bidder	33%	34.2%	67.2%	7
8 th Bidder	15%	46%	61%	8

- 3.6 The Framework for stair cleaning is awarded to a maximum of three suppliers; the top ranked supplier will receive a contract for the services as outlined in the service specification. To provide contingency for any increased demand as outlined in 5.4 below, further mini-competitions may take place with all three Framework suppliers, as and when required.
- 3.7 The first ranked supplier had demonstrated commitment to delivering community benefits including, work placements to young people, training opportunities and

recruitment opportunities in the local community and paying their workforce a Living Wage Foundation rate wage.

4. Measures of success

- 4.1 Tenant satisfaction with the stair cleaning service is increased.
- 4.2 There is increased take-up of the service from private owners.

5. Financial impact

- 5.1 The contract has an estimated total value of £3.7 million, over the full four year period of the contract.
- 5.2 The stair cleaning service is self-financing through the Housing Revenue Account, and contributes a small annual surplus to the General Fund through take-up of the service in the private sector.
- 5.3 The current service charge to tenants is £2.19 per week, which equates to an annual charge of £105.12 per property. The service charge for the remainder of 2016/2017 will be frozen and then reviewed annually for the remaining period of the contract.
- 5.4 The stair cleaning service will continue to seek increased participation in the scheme, of owners of former Council properties in mixed tenure stairs, as well as marketing the service to housing associations, private developers and owners in traditional tenement blocks.
- 5.5 The costs of Procurement are estimated at less than £10,000.

6. 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
Provider cannot meet requirements within the terms of the contract	<ul style="list-style-type: none">○ Utilise mini competition to increase supply

7. 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.
- 7.2 There will be no infringement of existing rights for those with protected characteristics.

8. Sustainability impact

- 8.2 Suppliers tendering for the contract were asked to evidence, any initiatives that they were operating to improve their sustainability, such as reducing energy consumption, emissions and waste.
- 8.3 The preferred bidder stated that they would be updating their fleet of vehicles used to deliver this contract, with more fuel efficient models, during the mobilisation period.

9. Consultation and engagement

- 9.1 The stair cleaning contract is monitored through a Stair Cleaning Management Board that includes representation from the Edinburgh Tenants Federation. Tenants are therefore actively involved in monitoring the standards set for the contract and in developing the service specification, for the tender for the new contract.

10. Background reading/external references

- 10.1 None required.

Paul Lawrence

Executive Director of Place

Contact: Jennifer Hunter, Resident and Tenant Services Manager

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11. Links

Coalition pledges	<p>P25 - Introduce a “living wage” for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development.</p> <p>P28 - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well-being of the city.</p>
Council outcomes	<p>CO25 - The Council has efficient and effective services that deliver on objectives.</p>
Appendices	<p>Appendix 1 – Summary of Tendering and Tender Evaluation Process.</p> <p>Appendix 2- Summary of Pricing (per annum)</p>

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	Provision of a Stair Cleaning Service to Domestic Properties from 2016-2020 Ref: CT9761
Contract Period	1 December 2016 – 30 November 2020
Estimated Value	£3,700,000
Estimated Savings	N/A as self funding
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	Restricted Route
Invitations to Tender Issued	10
Tenders Returned	8
Preferred Supplier	1
Primary Criteria	<p>Most economically advantageous tender to have met the qualitative and technical specification of the service area.</p> <p>60% Price 40% Quality</p>
Evaluation Team	<ul style="list-style-type: none"> Housing and Regulatory Services Staff
Procurement Advisors	<ul style="list-style-type: none"> 2 CPS Staff

Appendix 2 – Summary of Pricing (Per Annum for evaluation)

Contract	Provision of a Stair Cleaning Service to Domestic Properties from 2016-2020 Ref: CT9761
ISS UK Ltd	£717,137
Bidder 2	£722,072
Bidder 3	£730,872
Bidder 4	£799,729
Bidder 5	£821,977
Bidder 6	£852,936
Bidder 7	£933,414
Bidder 8	£1,258,751

The above prices are used for evaluation purposes based on hourly rates for operatives against historic usage, and will fluctuate depending upon demand.

Finance and Resources Committee

10am, Thursday, 29 September 2016

Award of Contract for the Supply and Delivery of Aluminium Street Lighting Columns

Item number	7.10
Report number	
Executive/routine	Executive
Wards	All

Executive summary

This report seeks the approval of the Finance and Resources Committee to award the contract for the supply and delivery of aluminium street lighting columns to Mallatite Limited following a mini-competition utilising the Scotland Excel Street Lighting Materials Framework (Lot 5 – Aluminium Columns and Poles).

The term of the contract is two years, with the option to extend for a further 12 month period.

Over the three year duration, the contract has been estimated at £1.2m. This will be dependent on use.

Links

Coalition Pledges	P44
Council Priorities	
Single Outcome Agreement	SO4

Award of Contract for the Supply and Delivery of Aluminium Street Lighting Columns

1. Recommendations

- 1.1 It is recommended that the Committee approves the award of contract for the supply and delivery of aluminium street lighting columns to Mallatite Limited for a duration of two years, with the option to extend for an additional 12 months.

2. Background

- 2.1 The City of Edinburgh Council requires aluminium street lighting columns to support the Council's Capital Investment in Street Lighting.
- 2.2 With the exception of decorative and hinged columns, the vast majority of new street lighting columns in Edinburgh are manufactured from aluminium, which is selected for its durability and sustainability properties.
- 2.3 Scotland Excel Street Lighting Materials Framework (Lot 5) offers access to an established framework for aluminium columns and poles. Through utilisation of the framework, the Council benefits from reduced administration, staff resource and the ability to create a contract where standard terms and conditions are in place and Procurement Regulations adhered to.

3. Main report

- 3.1 This contract is for the supply and delivery of aluminium street lighting columns to the City of Edinburgh Council.
- 3.2 Commercial and Procurement Services conducted a mini competition for the supply and delivery of aluminium street lighting columns, utilising the Scotland Excel Street Lighting Framework (Lot 5 – Aluminium Columns and Poles).
- 3.3 There are four suppliers on Lot 5 of the Scotland Excel Framework – John MacLean & Sons Electrical (Dingwall) Limited, Mallatite Limited, Marwood Electrical Company Limited and The Aluminium Lighting Company Limited - all of which were invited to submit a bid. Each supplier's quality score out of 20% was carried forward from the initial evaluation of this framework agreement, with the remaining 80% being allocated to price within the mini-competition executed by the Council.

3.4 The mini-competition was published using Public Contracts Scotland on 18 April 2016 with a closing date of 8 June 2016. All four suppliers submitted a bid with the successful supplier being Mallatite Limited.

3.5 The scores were as follows:

	Quality	Price	Total
Mallatite Ltd	6.75	80	86.75
Supplier B	12.58	62	74.58
Supplier C	11.92	62	73.92
Supplier D	12.20	59	71.20

3.6 The pricing schedule was based on an indicative list of goods and quantities. Prices are fixed for the initial contract term of two years. If the extension period is to be utilised, a decision regarding price shall be undertaken three to six months prior to expiry of the initial contract term, referencing Aluminium Price Indices as evidence to any change in prices.

3.7 The contract will be for an initial period of two years. It is anticipated that the date of commencement will be 1 November 2016 and run until 31 October 2018, with an option to extend for a further 12 month period until 31 October 2019.

4. Measures of success

4.1 The major benefit associated with this contract is that the Council will be able to replace street lighting columns which have been identified through structural testing as requiring to be replaced.

5. Financial impact

5.1 The report outlines total capital expenditure plans of £1.2m. If this expenditure were to be funded fully by borrowing, the overall loan charges associated with this expenditure, over a 20 year period, would be a principal amount of £1.2m and interest of £0.780m, resulting in a total cost of £1.980m, based on a loans fund interest rate of 5.2%. The annual loan charges would be £0.099m.

5.2 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy and is provided for on an overall programme basis rather than for individual capital projects. Following instruction from Members, notional loan charge estimates have been provided above, which it should be noted are based on the assumption of borrowing in full for this capital project.

- 5.3 As the capital expenditure outlined in this report forms part of the approved capital investment programme, provision for funding it will be met from the revenue loan charges budget earmarked to meet overall capital investment programme borrowing costs.
- 5.4 The costs associated with procuring this contract are estimated at between £20,001 and £35,000.

6. Risk, policy, compliance and governance impact

- 6.1 A Street Lighting representative will be responsible for the contract management, and will monitor the performance of the contract throughout the term.

7. 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.

8. Sustainability impact

- 8.1 The ongoing replacement of steel lighting columns, with aluminium lighting columns, reduces maintenance costs due to the increased lifespan of aluminium (twice the life of steel) and lower maintenance requirements.
- 8.2 Aluminium was selected as the preferred material due to its high strength to weight ratio and forming methods which aid design flexibility; long, low-maintenance service life; attractive and durable finishes; and ultimately the certainty that at the end of the columns useful life the aluminium will be recycled.

9. Consultation and engagement

- 9.1 Over a period of two years the suppliers on the Scotland Excel Framework (Lot 5) fed into the development of the specification of the required column. This period of co-production provided the Council with valuable technical input, ensuring the column met the requirements set out and also allowed the Council to ensure that all the suppliers on the framework were able to provide the required column.

10. Background reading/external references

None.

Paul Lawrence

Executive Director of Place

Alan Simpson, Street Lighting and Traffic Signals Infrastructure Manager

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11. Links

Coalition Pledges	P44 – Prioritise keeping our streets clean and attractive
Council Priorities	
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 Processes

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Contract for the supply and delivery of aluminium street lighting columns
Contract period	1 November until 31 October 2018 with an optional extension to 31 October 2019
Estimated contract value	£1.2m over 3 years
Governing UK Regulation	Public Contracts (Scotland) Regulations 2015
EC Procedure chosen	Mini-competitions under the Scotland Excel Framework for Street Lighting Materials.
Standing Orders observed	2.4 EU Principles been applied 2.7 Commercial and Procurement Manager provided resource to undertake tendering 3.2 Director has responsibility for all Contracts tendered and let by their Directorate 5.1 (b) Tenders evaluated on basis of most economically advantageous criteria
Tenders returned	4
Tenders fully compliant	4
No. of recommended suppliers	1
Primary criterion	Most Economically Advantageous offer
Secondary criteria	Price - 80%
	Quality - Carried from SXL Framework 20%
Evaluation Team	Mini-Competition - Street Lighting Team, City of Edinburgh Council

Finance and Resources Committee

10.00 am, Thursday 29 September 2016

Tenant Participation and Engagement Services Update – referral from the Health, Social Care and Housing Committee

Item number	7.11
Report number	
Wards	All

Executive summary

The Health, Social Care and Housing Committee on 13 September 2016 considered a report from the Executive Director of Place on the co-production of a new Tenant Participation and Engagement Service and on an approach to its procurement.

Links

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

Terms of Referral

Tenant Participation and Engagement Services Update

Terms of referral

- 1.1 The Health, Social Care and Housing Committee on 13 September 2016 considered the attached report by the Executive Director of Place on the co-production of a new Tenant Participation and Engagement Service and on an approach to its procurement.
- 1.2 A new Tenant Participation Strategy was approved by the Health, Social Care and Housing Committee on 21 April 2015. Discussions on approaches to supporting its implementation are ongoing. Services to support the implementation of the Strategy are required to be in place by 1 April 2017.
- 1.3 On 8 September 2015, the Health, Social Care and Housing Committee agreed to continue discussions on co-production options. On 24 September 2015, the Finance and Resources Committee agreed to extend the current service level agreements with Edinburgh Tenants Federation (ETF) and the Neighbourhood Alliance (NA) to 31 March 2017 to facilitate this discussion.
- 1.4 The 26 January 2016 Health, Social Care and Housing Committee agreed to continue discussions to ensure that ETF and the NA had sufficient opportunity to consult their members on the potential to work collaboratively with other agencies to co produce tenant participation services.
- 1.5 A co-production of tenant participation services with ETF, the NA, the Tenant Participation Advisory Service (TPAS) and the Tenants' Information Service (TIS) was agreed by the Health, Social Care and Housing Committee on 19 April 2016. To mitigate a risk of challenge from providers not invited to take part, a Future Contract Opportunity notice was placed on the Public Contracts Scotland website. PS Consultants, UK Impact Generation Ltd and Wider Role Solutions joined the co-production as a result. PS Consultants decided to withdraw from the co-production in June 2016 due to other commitments the co-production of a Tenant Participation and Engagement Service specification took place between 16 May and 31 August 2016.
- 1.6 A Memorandum of Understanding (MOU) was agreed to guide the co-production. The MOU clarified the role of the parties involved and the timetable for developing the draft specification. All parties to the MOU have had the same opportunity to make their views known throughout the co-production.
- 1.7 The City of Edinburgh Council, ETF, the NA, TIS, TPAS, UK Impact Generation Ltd and Wider Role Solutions formed the Co-production Working Group (CWG), which met twice (17 May and 2 August) to discuss an approach to designing the draft service specification and then to draft the specification.

- 1.8 An internal Council Project Board has monitored progress. The Project Board is chaired by Natalie McKail (Locality Manager). The Project Board met twice (23 June and 8 August) to monitor the approach and to ensure required deadlines were met.
- 1.9 An outline high level service specification has been developed. There is much agreement around the service specification and an all round strong commitment to the delivery of an excellent service for tenants and their neighbours. The importance of the representative function was highlighted by tenants both at the stakeholder event and the Tenant Advisory Group.
- 1.10 One key element considered was the provision of advice services. While it is inevitable that individual tenants will seek advice and support, the CWG felt that there are risks for organisations taking on this role where their main purpose is not the provision of professional advice services. It is proposed that the development of advice and support services for individual tenants is included in work to develop the Council's overall advice services to ensure that tenants receive the best quality advice and to remove the risk of duplication and overlap.
- 1.11 Council 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.
- 1.12 On 9 June 2016, Finance and Resources Committee considered a report on co-production and procurement. Based on this report, and in accordance with CSOs, the recommended approach is to explore funding an independent tenant representative function that would align with any future Tenant Participation and Engagement Service.
- 1.13 Further consultation is required with the services directly affected by this approach to ensure the scope of the representative role is properly scoped and to ensure that there are no adverse impacts on the continuity of both the representative role and the development of engagement services.
- 1.14 This further consultation will require a further extension of the existing funding arrangements for ETF and the NA for a further six months.
- 1.15 The Committee heard deputations from the Edinburgh Tenants' Federation and the Neighbourhood Alliance in support of the proposals.
- 1.16 The Health, Social Care and Housing Committee agreed:
 - 1.16.1 Approves the proposed approach to extend funding arrangements while further consultation takes place on the scope of the independent tenant representative function to align with any future Tenant Participation and Engagement Service.
 - 1.16.2 Approves the outline high level Tenant Participation and Engagement Service specification, which has been informed by the co-production process and developed with the Co-production Working Group.
 - 1.16.3 To recommend that the Finance and Resources Committee

extend of the existing funding arrangements for the Edinburgh Tenant's Federation and the Neighbourhood Alliance for a further six months.

For Decision/Action

- 2.1 The Finance and Resources Committee is requested to extend of the existing funding arrangements for the Edinburgh Tenant's Federation and the Neighbourhood Alliance for a further six months.

Background reading / external references

Health, Social Care and Housing Committee 13 September 2016.

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

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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

10am, Tuesday 13 September 2016

Tenant Participation and Engagement Services Update

Item number

Report number

Executive/routine

Executive

Wards

All

Executive Summary

The purpose of this report is to provide Committee with an update on the co-production of a new Tenant Participation and Engagement Service and to seek Committee agreement on an approach to its procurement.

The purpose of the Tenant Participation and Engagement Service is to continuously improve services and standards by actively encouraging tenants to participate and engage in a range of ways in scrutinising housing and related services to ensure those services are of good quality and provide value for money.

The outline of a high level service specification is attached, which has been informed by the co-production process and developed with the Co-production Working Group.

Links

Coalition Pledges

[P8](#)

Council Priorities

[C16](#) and [C23](#)

Single Outcome Agreement

[SO4](#)

Tenant Participation and Engagement Services Update

1. Recommendations

It is recommended that the Health, Social Care and Housing Committee:

- 1.1 Approves the proposed approach to extend funding arrangements while further consultation takes place on the scope of the independent tenant representative function to align with any future Tenant Participation and Engagement Service.
- 1.2 Approves the outline high level Tenant Participation and Engagement Service specification, which has been informed by the co-production process and developed with the Co-production Working Group.
- 1.3 Agrees to forward this report to Finance and Resources Committee for consideration.

2. Background

- 2.1 A new Tenant Participation Strategy was approved by the Health, Social Care and Housing Committee on 21 April 2015. Discussions on approaches to supporting its implementation are ongoing. Services to support the implementation of the Strategy are required to be in place by 1 April 2017.
- 2.2 On 8 September 2015, the Health, Social Care and Housing Committee agreed to continue discussions on co-production options. On 24 September 2015, the Finance and Resources Committee agreed to extend the current service level agreements with Edinburgh Tenants Federation (ETF) and the Neighbourhood Alliance (NA) to 31 March 2017 to facilitate this discussion.
- 2.3 The 26 January 2016 Health, Social Care and Housing Committee agreed to continue discussions to ensure that ETF and the NA had sufficient opportunity to consult their members on the potential to work collaboratively with other agencies to co produce tenant participation services.
- 2.4 A co-production of tenant participation services with ETF, the NA, the Tenant Participation Advisory Service (TPAS) and the Tenants' Information Service (TIS) was agreed by the Health, Social Care and Housing Committee on 19 April 2016. To mitigate a risk of challenge from providers not invited to take part, a Future Contract Opportunity notice was placed on the Public Contracts Scotland website. PS Consultants, UK Impact Generation Ltd and Wider Role Solutions joined the co-production as a result. PS Consultants decided to withdraw from the co-production in June 2016 due to other commitments.

- 2.5 To meet the requirement to report to the 13 September 2016 Health, Social Care and Housing Committee, the co-production of a Tenant Participation and Engagement Service specification took place between 16 May and 31 August 2016.

3. Main report

- 3.1 A Memorandum of Understanding (MOU) was agreed to guide the co-production. The MOU clarified the role of the parties involved and the timetable for developing the draft specification. All parties to the MOU have had the same opportunity to make their views known throughout the co-production.
- 3.2 The City of Edinburgh Council, ETF, the NA, TIS, TPAS, UK Impact Generation Ltd and Wider Role Solutions formed the Co-production Working Group (CWG), which met twice (17 May and 2 August) to discuss an approach to designing the draft service specification and then to draft the specification.
- 3.3 A Tenant Advisory Group has advised on approach. 11 tenants from the Tenants' Panel and Registered Tenants' Organisations (RTOs) agreed to take part in the Advisory Group. The Advisory Group met twice (25 May and 20 July), providing early suggestions to the CWG on the draft specification; advice on the stakeholder event proposed by the CWG, and general comment on the approach. Group members have expressed views on the pace of the co-production process.
- 3.4 An internal Council Project Board has monitored progress. The Project Board is chaired by Natalie McKail (Locality Manager). The Project Board met twice (23 June and 8 August) to monitor the approach and to ensure required deadlines were met.
- 3.5 The CWG agreed that a stakeholder event should inform the content of the specification. This took place on 27 June 2016 in the City Chambers and included the Tenants' Panel, RTOs, front-line housing officers, senior housing managers and councillors. This event was well received with 97% of those who completed the evaluation rating the event as excellent or good overall (Appendix One).
- 3.6 An outline high level service specification has been developed (Appendix Two). There is much agreement around the service specification and an all round strong commitment to the delivery of an excellent service for tenants and their neighbours. The importance of the representative function was highlighted by tenants both at the stakeholder event and the Tenant Advisory Group.
- 3.7 One key element considered was the provision of advice services. While it is inevitable that individual tenants will seek advice and support, the CWG felt that there are risks for organisations taking on this role where their main purpose is not the provision of professional advice services. It is proposed that the development of advice and support services for individual tenants is included in work to develop the Council's overall advice services to ensure that tenants receive the best quality advice and to remove the risk of duplication and overlap.

- 3.8 There have been ongoing references to challenging timescales during a period of extensive change within the Council. On 26 January 2016, Health, Social Care and Housing Committee sought to mitigate these concerns by continuing discussions to ensure that ETF and the NA had sufficient opportunity to consult their members on the potential to work collaboratively with other agencies to co-produce tenant participation and engagement services.
- 3.9 Council 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.
- 3.10 On 9 June 2016, Finance and Resources Committee considered a report on co-production and procurement. Based on this report, and in accordance with CSOs, the recommended approach is to explore funding an independent tenant representative function that would align with any future Tenant Participation and Engagement Service. The scope of these services, and any required tender documentation, would be based on the specification attached as Appendix Two.
- 3.11 Further consultation is required with the services directly affected by this approach to ensure the scope of the representative role is properly scoped and to ensure that there are no adverse impacts on the continuity of both the representative role and the development of engagement services.
- 3.12 This further consultation will require a further extension of the existing funding arrangements for ETF and the NA for a further six months.

4. Measures of success

- 4.1 Tenants will report greater satisfaction with the opportunities they have to engage with the development of housing services.
- 4.2 Tenants will be more involved in shaping public services and their communities, including through the neighbourhood partnerships and increasing representation on community councils.

5. Financial impact

- 5.1 The 2016/17 service level agreements with ETF and the NA will cost £241,083 and £67,200 respectively. Further work will be required to determine the cost of any new service to ensure a best value approach.
- 5.2 This work is contributing to ensuring best value for tenants in terms of the support they receive to participate in influencing decision-making.

6. Risk, policy, compliance and governance impact

- 6.1 The Council must ensure that any future arrangements are compliant with procurement requirements.
- 6.2 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. There would remain a risk of challenge should Committee decide to seek a waiver to award the contract to a single provider and not tender the service.
- 6.3 On 24 September 2015, the Finance and Resources Committee noted the commissioning approach and extended the current ETF and NA service level agreements to 31 March 2017 to complete this process. The new service was scheduled to be in place by 1 April 2017 and a further report will be provided to Finance and Resources Committee.
- 6.4 While there is much agreement around the service specification and a strong commitment to the delivery of an excellent service for tenants and their neighbours, there is tenant support for existing providers and uncertainty about change. Strong views were expressed on the importance of the representative function to tenants.

7. Equalities impact

- 7.1 The Tenant Participation Strategy includes actions to remove barriers to participation and enhance people's ability to influence decision making, which have been developed in light of the equalities and rights impact assessment carried out on the Strategy.

8. 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.

9. Consultation and engagement

- 9.1 This report has been informed by discussions with key stakeholders, including the Tenants' Panel, RTOs, ETF, the NA, TIS, TPAS, UK Impact Generation Ltd, Wider Role Solutions, councillors and Council officers, and feedback gathered from a range of consultations: Tenant Participation Strategy (2014), Equalities and Rights Impact Assessment (2015), Tenant Participation Service Focus Groups (2015) and the Tenants' Panel and RTOs surveys (2016).

10. Background reading/external references

[Implication for Co-production and Procurement, Finance and Resources Committee - 9 June 2016](#)

[Tenant Participation and Engagement Services, Health, Social Care and Housing Committee - 19 April 2016](#)

[Procuring Tenant Participation Services, Health, Social Care and Housing Committee - 26 January 2016](#)

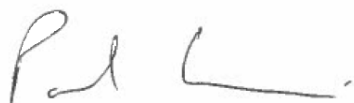
[Review of Tenant Participation Service Procurement Options – referral from the Health, Social Care and Housing Committee, Finance and Resources Committee - 24 September 2015](#)

[Review of Tenant Participation Service Procurement Options, Health, Social Care and Housing Committee - 8 September 2015](#)

[Tenant Participation Strategy 2015-18, Health, Social Care and Housing Committee - 21 April 2015](#)

housingcharter.scotland.gov.uk

www.scottishhousingregulator.gov.uk



Paul Lawrence

Executive Director of Place

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11. 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	SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 - Stakeholder Event 27 June 2016 Appendix 2 – City of Edinburgh Council Tenant Participation and Engagement Service - outline high level service specification

Appendix 1 - Supporting tenants to take part Monday 27 June 2016, City Chambers

1) Background

- a) 41 participants took part in a 'World Cafe' held on Monday 27 June 2016 in the City Chambers to discuss what should be included in a tenant participation and engagement service specification.
- b) Invitations were sent to the Co-production Working Group, the Tenant Advisory Group, the Tenant Panel, Registered Tenant Organisations, Council officers and the Health, Social Care and Housing Committee. Background information is appended along with the evaluation. 97% of those completing the evaluation rated the event as 'excellent' or 'good' overall.

2) Introduction

- a) Councillor Cammy Day welcomed everyone and congratulated Gateside Tenants and Residents' Association as this year's winners of the 'Tenant and Resident Association of the Year' award from the Tenants Information Service. Cllr Day reiterated the Council's commitment to supporting tenants to take part to influence Council decision-making.

3) World Cafe

- a) Participants shared their ideas in three consecutive conversations. They were also encouraged to write their thoughts on the 'table cloths'. Participants' key messages and the facilitators' notes from each of the five tables have informed the content of this summary report.

4) Key themes

- a) A time of change
 - i) The 'one stop approach' was welcomed. There was some concern that it will be difficult as housing officers will take time get to know their new jobs and their tenants. It was felt that it's hard for tenants to take part at the current pace of change.
 - ii) Ensuring friendly and confident people in the housing officer posts was seen as important and that they should be well supported and well trained, including on engaging with tenants and RTOs. The new service could assist with staff training and also involve tenants in providing staff training.
 - iii) It was suggested that housing officers could also help with continuity by making sure that they tell tenants when they are going to move and who their new

housing officer will be. There were views that they need to be easily contactable. A key contact list was requested.

- iv) Tenants wanted more information on patch working: How will holidays be covered? How will any issues be escalated? They also wanted to know how the new tenant participation and engagement service could support officers to engage with private renters, owner occupiers and housing associations to help resolve cross tenure issues.
- v) The strategic and practical support provided by Edinburgh Tenants' Federation (ETF) and the Neighbourhood Alliance (NA) was valued. Some felt that it should be made clearer to tenants that the co-production may lead to new service providers. There were questions about how any change would be managed to a new provider, if that were to happen.
- vi) There were views that any new service supporting tenants to take part should be independent of the Council, tenant-controlled and use a community development approach. It was felt that independent advice is important to help tenants to understand how to hold their landlord to account. Tenants also pointed out that they are part of a wider community of other residents who may also need support to take part.

b) Working together to strengthen tenant/Council relationships

- i) Many wanted to strengthen the Council/tenant relationship and build a more equal and trusting relationship. Improving communication and information were common themes at the event and seen as central to building better relationships to resolving problems. Feedback following consultations and complaints/suggestions was seen as important to prevent tenants disengaging and to maintain communication.
- ii) Tenants would welcome more local consultation focused on their areas, like the Housing Road-shows, which they felt have gone well and are a way to reach out to people that are not involved.
- iii) Tenants wanted more than just consultation. They want to participate at an earlier stage with more time; to be listened to and know that their views are valued. It was suggested that the new service could help by sharing good practice; developing meeting guidance and participation standards; supporting the Council and tenants to communicate better, including on tenant involvement and avoiding jargon, which is seen as a barrier, and evaluating the impact of tenant involvement.
- iv) There were views that Council/tenant successes should be celebrated better, for example, awards for tenants/officers to encourage involvement and promote new ideas.
- v) More regular meetings with tenants/RTOs were requested and specific information sessions, particularly on rents so tenants understand how their rent is being used, and the kitchen and bathrooms programme.

c) Scrutinising services

- i) Tenant led inspections were seen as a successful way to involve people. It was suggested that housing officers could encourage tenants in their patches to take part in tenant led inspections. There were views that the new service could support tenants to scrutinise more services.

d) Raising awareness of ways to become involved

- i) It was felt that the Council should seek to support and engage new tenants as soon as they move in to help foster a sense of community. Information on ways to become involved could be in tenant welcome packs with other useful information, for example, mental health. There were views that ETF should also be promoted in the welcome packs.
- ii) There were views that Information provided to tenants should be easy to understand to encourage engagement and that the new service could help with this work. The Tenants' Courier was seen as a good way to raise awareness of ways to become involved. It was felt that the Council housing website could be improved.

e) Involving young tenants

- i) It was suggested that a youth engagement campaign should be run, including with young people living in a Council home with their family and in schools. It was suggested that there could be an outreach worker dedicated to supporting young tenants to become involved.
- ii) There were views that young tenants need additional support at the start of their tenancy to help set them off on the right path and that using social media would be a positive way to involve young tenants.
- iii) Tailored support for different age groups was suggested and for those tenants with additional needs or responsibilities.

f) Working with others

- i) RTOs want to be recognised in their own right locally without having to be part of a community council but there was also support for developing better working relationships with community councils and other local community groups, including the Neighbourhood Partnerships. There was an idea that RTOs could be given a place on the Community Council.
- ii) It was said that people value coming together and that this should be part of the work of the new service, including linking RTOs. It was felt that the new service should be working closely with local communities and RTOs to help empower them to resolve their issues. RTOs said they want to feel more included and not obstructed.

- iii) There were suggestions that the Council could approach other projects to assist with consultations, for example, projects working with young people. Housing officers could also visit other organisations to promote services.
- iv) Partnership working with a range of organisations was seen as important from support for young tenants to linking with the NHS on tenants coming out of hospital. There were views that community centres, local councillor surgeries, libraries, doctors' surgeries and job centres could promote involvement. Feedback from community surveys was seen as useful.
- v) There was support for wider community engagement initiatives but a desire for a focus to ensure value for rent. There were views that area boards and the Neighbourhood Environment Programme can work well.

g) A range of support sought by tenants

- i) In addition to support referred to elsewhere in this report, participants also made the following suggestions:
 - Support provided for individual tenants as well as groups
 - Administrative and development support for tenants/RTOs, including support to prepare for meetings with the Council.
 - Support for ETF, including to raise their profile
 - Support for the Sheltered Housing Liaison Group
 - Support with setting up groups and getting information out to tenants.
 - Support in each of the localities that is consistent across the city.
 - Training on committee skills; rents; insurance for community groups; understanding drug and alcohol dependency; influencing the Council; accessing and using the internet and challenging discrimination.
 - There were views that an advocacy service was important to help tenants with communication where needed.
 - Some tenants wanted a neutral meeting space where they could meet with each other and Council officers at no cost.
 - Meetings were seen as important and they should be held at times that suit people. Alternatives to meetings were also seen as important. Informal drop in events for tenants would also be useful.
 - Tenants wanted more information on funding opportunities, including for local participation.

5) General

- a) More general Council service queries/concerns have been noted (early intervention required for rent arrears; better response to service failure; working with other agencies on tenancy sustainment; information required on accessing the planning portal; grass cutting needs to be better resourced and repairs need to be followed up properly).

Background information

1) Introduction

- a) The City of Edinburgh Council's Health, Social Care and Housing Committee agreed to 'co-produce' a service specification for a tenant participation and engagement service on 19 April 2016. These are services that support tenants to take part and influence decisions about housing and other public services. Some of this work is carried out by Edinburgh Tenants' Federation and the Neighbourhood Alliance currently.
- b) All social landlords are required to have a Tenant Participation Strategy and to "consult tenants on proposals that affect them and take account of their views". This event will focus on how tenants are supported to take part so that we can work together to improve housing and other public services. The Council is committed to working cooperatively and collaboratively with residents and communities to ensure that public services work better for the communities they serve and that communities have more influence over them.
- c) To co-produce is to build something together, to co-create, to jointly develop and innovate. It is about equal and respectful, trusting and purposeful relationships between policy-makers and those affected by policies and their outcomes.
- d) The Co-production Working Group will be drafting the service specification. A specification sets out what should be included in a service. It's an agreement between organisations about the various tasks that will be done as part of the day to day work of a service.
- e) Councillors on the Health, Social Care and Housing Committee will consider progress and agree next steps at their meeting on 13 September 2016.

2) The Co-production Working Group

- a) The following organisations are part of the Co-production Working Group: The City of Edinburgh Council; Edinburgh Tenants' Federation; the Neighbourhood Alliance; the Tenants' Information Service; the Tenant Participation and Advisory Service, UK Impact Generation Ltd and Wider Role Solutions. They have agreed to work together co-operatively to draft a tenant and engagement service specification by 31 August 2016.

3) The Tenant Advisory Group

- a) A Tenant Advisory Group has been set up to provide feedback on the approach to help with the design of future tenant participation and engagement services. The views of the Advisory Group will inform the decisions made by the Co-production Working Group.

4) The 27 June 2016 event – Supporting tenants to take part

- a) The Co-production Working Group decided that it was important to hold an event to gather ideas from the different people who have an interest in the services to be provided. As well as everyone on the Co-production Working Group and the Tenant Advisory Group, invitations have been sent to the Tenants' Panel, Registered Tenant Organisations, Council officers and Councillors on the Health, Social Care and Housing Committee.
- b) The event has been designed to encourage participants to think about what support everyone needs to ensure that tenants can take part and help to develop and shape housing and other public services. It will be an informal and interactive opportunity to give your views on ways you think you should be supported to take part. There will also be information on what is known already, for example, feedback from earlier consultations, surveys and discussions.
- c) The Tenant Advisory Group has helped with the approach to this event and provided their early ideas on what could be included in the specification:
 - support for tenant scrutiny and tenant led inspections
 - information and training
 - support for individual tenants
 - help to resolve issues in mixed tenure blocks
 - help to understand community development
 - support for ETF's representative role
 - support for housing officers to help tenants to take part
 - understanding 'patch' tenant groups
 - using small pilot projects to test possible approaches.

5) Next steps

- a) The event results will be provided to the Co-production Working Group, along with any comments made by the Tenant Advisory Group. The Advisory Group will meet to consider feedback from the 27 June event before the next meeting of the Co-production Working Group in August 2016.
- b) The Co-production Working Group will draft the specification, taking in to account people's views on what they think is working well currently, what needs to be improved and where there might be gaps.
- c) Councillors on the Health, Social Care and Housing Committee will consider progress and agree next steps at their meeting on 13 September 2016.

Event evaluation

41 attendees – 30 completed the evaluation form:

Usefulness	Excellent	33%	Good	60%	Average	7%	
Venue	Excellent	50%	Good	50%	Average	0%	
Catering	Excellent	47 %	Good	43%	Average	7%	No response 3%
Organisation	Excellent	60%	Good	37%	Average	3%	
Overall	Excellent	33%	Good	64%	Average	0%	No response 3%

Your key message from the event

- Involve tenants in discussions to get their views over and be listened to
- Just hope that it will improve relations with the Council and their tenants, with the ongoing help and assistance from ETF
- Liked discussions from all the tables – best suggestion - Council contact list
- I want that knowledge about how to help our tenants more
- Council really needs to engage with tenants on how things work
- How to engage participation from young people – work together with other organisations to take the message out to young people
- Key thing for me was it wasn't really explained that this was about the future of ETF/CNA and not just about improving housing and related services
- Being in a group to be able to put forward our fears and listen to others
- Most important - independent support for tenants
- Listening to other's wider views about how they want to be included in decisions that affect them
- One notable surprise to me was how enthusiastic people were to know more and how similar the aspirations are despite coming from different areas. Also the prompt sheets are very relevant.
- Key things - communication to get info to tenants and groups and continued independent development support to RTOs and tenants
- Independent support is very important. I feel this is done through ETF
- There are gaps between RTOs and Community Councils
- Being able to express our Committee's views on the main problems we face and engaging with our housing officers and local housing offices
- Well I'm still unsure about the future of tenants' views. I'm not convinced that the local groups that are working well just now are going to remain. Don't see the point of getting new when the already working well groups are doing well. Local knowledge is key and somebody new won't have that. I understand about procurement and sometimes it doesn't work. Council needs to talk to local people/activist to get a feel of issues before putting their ideas forward – would save loads of money and time.
- People's commitment
- Communication – lack of in staff and feedback on any issue reported, complaint, repair, etc

Comments/suggestions

- I felt valued and felt I was giving back some knowledge of my experiences and also felt socially accepted. Thank you
- Very interesting and rewarding
- Glad to see everyone had a subject to discuss
- Advertise better
- Very interesting event
- Found this event to be very informative. Being face to face having discussions is excellent as it opens up lots of topics
- Really good way of putting things across and informative
- Discussion groups provided a wide range of information and chance to discuss with like minded people our thoughts
- Themed events
- Need more of these
- Another good exercise, good to see some new faces again
- It's a good way to get more information that is very helpful to us
- Very enlightening
- Conversation cafe: needs less repetition and different questions or ideas at tables
- Needs to be done more frequently. Use this as an opportunity to have a base level before new practices come in.
- Hope to get an invite back
- It was good for the discussion to carry on at the tables
- Excellent idea with conversation cafe – prompted some energetic discussion
- Good conversation, hope to have more of these events
- This was an excellent event. Topics well covered. Times are restrictive if you work full time.
- Have more of them as decisions are made to keep us updated
- Please take on board what is being said by on the ground people
- Repetition again – same, same, same
- You make the suggestions and I will comment on them
- I felt it would be better split in two rooms, a lot of noise

Finding out about the event

Attendees found out about the event by letter from the Council and/or ETF, emails from the Council and/or ETF, ETF and Council social media, ETF meeting.

Appendix 2 –

City of Edinburgh Council Tenant Participation and Engagement Service Outline high level service specification

Introduction

The City of Edinburgh Council is one of the largest local authorities in Scotland with a population of 490,000. Its responsibilities include the management of around 20,000 Council tenancies. The Council is committed to ensuring that its tenants are well supported to participate in Council decision-making on housing services and to engage with and influence a range of public services affecting their quality of life.

The Tenant Participation and Engagement Service will provide support to Council tenants and their neighbours, playing a key role in delivering the Council's Tenant Participation Strategy. The Tenant Participation Strategy seeks 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.

Background context

A significant Council restructuring programme is underway with a focus on locality working and a more effective, 'joined up' partnership approach. This includes restructuring housing services with a move to generic patch working for housing officers and exploring increasing tenant and other resident participation through patch based panels. There will be around 100 patches with approximately 200 tenancies in each patch. Since 1 July 2016, housing services are beginning to be delivered through four localities with central support to ensure a consistent approach. The four localities are (Council stock in brackets): North East (5214), North West (5283), South East (3779) and South West (5751).

Tenant Participation and Engagement Service

A co-production with existing and possible new providers of tenant participation and engagement services has been carried out. This included discussion with key stakeholders and took account of information gathered from a range of earlier consultations: Tenant Participation Strategy (2014), Equalities and Rights Impact Assessment (2015), Tenant Participation Service Focus Groups (2015), Tenants' Panel Survey (2016) and the Registered Tenants' Organisations' Survey (2016). Five core themes have been identified and these have been set out below.

The purpose of the Tenant Participation and Engagement Service is to continuously improve services and standards by actively encouraging Council tenants to participate and engage in a range of ways in Council decision-making on housing and related services

and with the range of public services affecting their quality of life, to ensure those services are of good quality and provide value for money.

A single service is required to deliver city wide outcomes and to provide support for the requirements of each of the localities.

Service target group

In the main the service will support Council tenants to participate and engage in Council decision-making on housing services and with the range of public services affecting their quality of life.

Service requirements – core themes

(1) Information

- Signposting tenants to advice and support services as required
- Information on a range of funding opportunities to support tenant participation and engagement
- Provide tenants with objective information and analysis of services provided to them by the Council's housing service and other public services
- Provide professional advice to the Council on its compliance with regulatory tenant participation requirements

(2) Consultation and participation

- Assist with consultation on a range of policy proposals and the provision of a range of tenants' views and ideas on those proposals to the Council
- Assist with developing a range of participation opportunities for tenants
- Assist with sharing good practice on tenant participation and evaluating the impact of tenant involvement
- Increase tenant scrutiny of services, including tenants and support tenant led inspections
- Assist with identifying gaps in participation and reaching and encouraging a wide range of tenants, including under-represented groups, to become involved

(3) Informal and formal learning opportunities

- Provide a range of informal and formal learning opportunities for tenants
- Explore accredited training opportunities for tenants
- Assist with the provision of staff training on tenant participation and engagement, including supporting tenants to deliver training

(4) Development and administrative support

- Independent support for tenants to come together in a range of ways, including, for example, as individuals, as part of tenant panels and through Registered Tenant Organisations and Edinburgh Tenants' Federation
- Assist with strengthening the tenant voice in the new localities to ensure that tenants can engage with and influence a range of public services
- Work closely with tenants in their local communities to enable local tenant empowerment to assist with resolving housing and related issues
- Ensure a community development approach

(5) Communication

- Assist with strengthening Council and tenants communication on tenant participation and engagement
- Promote a range of different ways to become involved to tenants
- Assist with developing digital participation to encourage tenants to participate

Key Performance Indicators (KPIs)

KPIs will be developed, in discussion with the service provider that will meet the requirements of the Scottish Social Housing Charter.

Service management and monitoring arrangements

Service management and monitoring arrangements will be developed that will ensure that tenants have a clear role in the development of work priorities and progress monitoring of a service that will help them to hold their landlord to account.

Finance and Resources Committee

10.00a.m, Thursday, 29 September 2016

Proposed Lease Extension at Unit 2, 72 – 78 Niddrie Mains Road, Edinburgh

Item number	8.1
Report number	
Executive/routine	Routine
Wards	17 – Portobello/Craigmillar

Executive summary

The retail unit at Unit 2, 72 – 78 Niddrie Mains Road is let to William Hill (Scotland) Limited.

The lease is due to expire, on 14 December 2017, and the tenant has requested a 10 year lease extension.

This report seeks approval to the grant of a 10 year lease extension on the terms and conditions outlined in the report.

Links

Coalition pledges	P15 , P28
Council priorities	CP5 , CP7 , CP8
Single Outcome Agreement	SO1

Proposed Lease Extension at Unit 2, 72 – 78 Niddrie Mains Road, Edinburgh

Recommendations

That Committee:

- 1.1 Approves a 10 year lease extension to William Hill (Scotland) Limited of retail premises at Unit 2, 72 – 78 Niddrie Mains Road, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

Background

- 2.1 The shop premises at Unit 2, 72 – 78 Niddrie Mains Road extends to 146.30m² (1,575sq ft) or thereby and is shown outlined in red on the attached plan.
- 2.2 Since December 1997, William Hill (Scotland) Ltd has been the tenant at the property operating a bookmaking business. The current rent is £12,750pa excluding VAT.

Main report

- 3.1 The existing lease expires on 14 December 2017, and William Hill (Scotland) Limited has requested that the Council grant a 10 year lease extension, from 15 December 2017.
- 3.2 The tenant has fulfilled all its legal and financial obligations in terms of the existing lease.
- 3.3 The following terms have been provisionally agreed:
 - Subjects: Retail shop at Unit 2, 72 – 78 Niddrie Mains Road, Edinburgh;
 - Lease Extension: 10 years from 15 December 2017 until 14 December 2027;
 - Break Option: Tenant only break option on the fifth anniversary;
 - Rent: £19,000 per annum;
 - Rent Reviews: Reviewed on each fifth anniversary of the term to open market value;
 - Use: Bookmaker; and

- Repairs: Full repairing and maintaining obligation.

Measures of success

- 4.1 Granting a 10 year lease extension will allow William Hill (Scotland) Limited to continue their long term financial planning of the business and, in turn, sustain employment for their workers.

Financial impact

- 5.1 An increase in rent of £6,250 per annum to the General Property Account effective from 15 December 2017.

Risk, policy, compliance and governance impact

- 6.1 This is a 10 year lease extension to the existing tenant who has been trading from the property since December 1997. It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

Equalities impact

- 7.1 An enhancement of rights has been identified as through a lease extension, it will ensure that William Hill (Scotland) Limited can continue to plan both financially and in terms of developing their business. This will allow them to continue to provide a high level of service and experience to their employees and customers. This directly links to an enhancement of the following rights namely (i) Legal Security, (ii) Education and Learning and (iii) Productive and Valued Activities.
- 7.2 A possible infringement has been identified in that by offering a lease extension to the current tenant rather than placing the retail premises on the open market, there is the potential impact on others who may want to lease the shop. However, given the established nature of the tenants business and the possible effect on it if a lease extension is not granted, the impact is considered to be proportionate and justifiable.

Sustainability impact

- 8.1 There are no sustainability issues arising from this report as the property has been leased out as a retail shop for many years and this is set to continue.

Consultation and engagement

9.1 N/A.

Background reading/external references

N/A.

Hugh Dunn

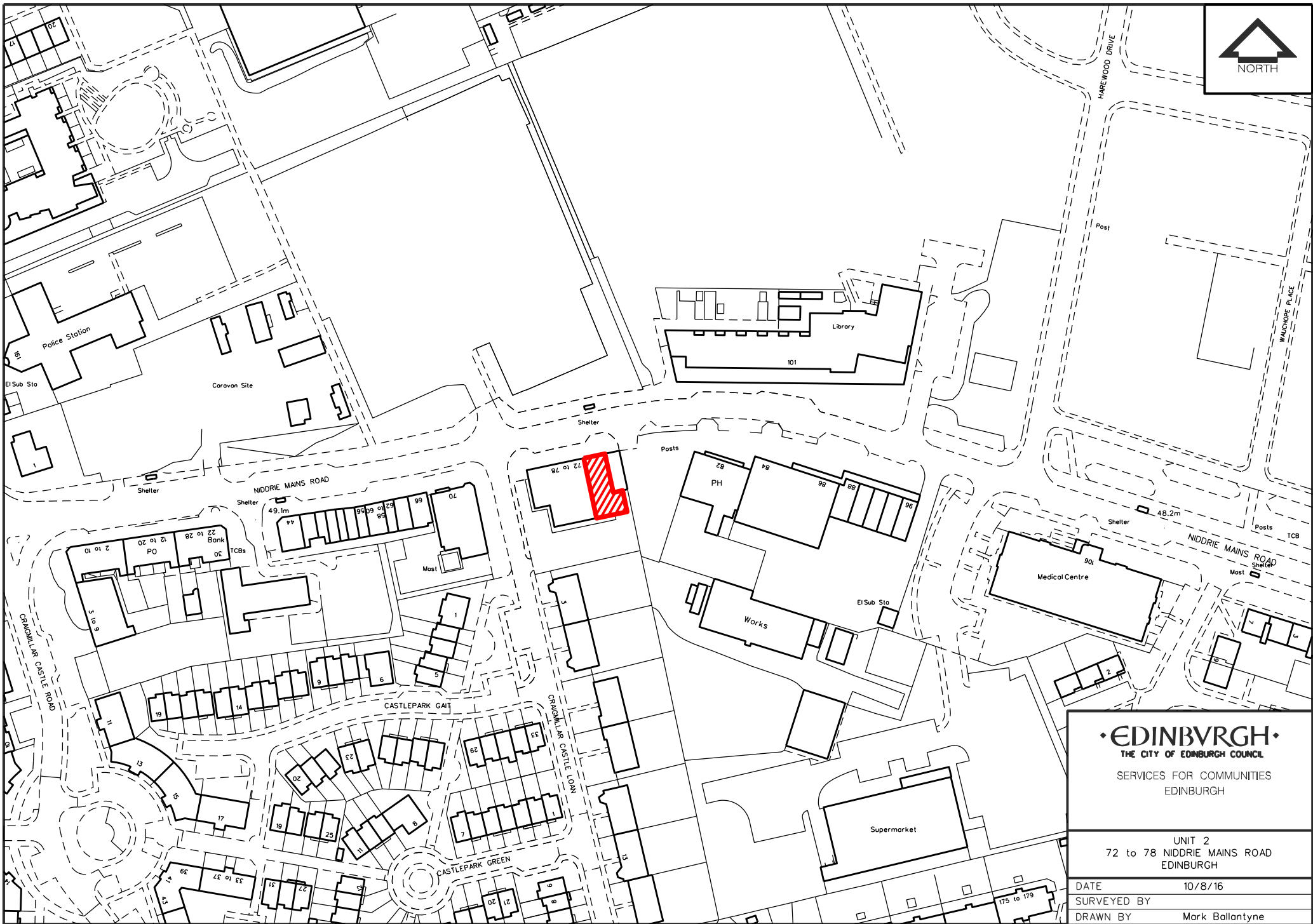
Acting Executive Director of Resources

Contact: Iain Lamont, Estates Surveyor

E-mail: iain.lamont@edinburgh.gov.uk | Tel: 0131 529 7610

Links

Coalition pledges	P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors. P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.
Council priorities	CP5 – Business growth and investment. CP7 – Access to work and learning. CP8 – A vibrant sustainable local economy.
Single Outcome Agreement	SO1 – Edinburgh’s Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Appendix 1 - Location plan.



SITE PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
SERVICES FOR COMMUNITIES EDINBURGH	
UNIT 2 72 to 78 NIDDRIE MAINS ROAD EDINBURGH	
DATE	10/8/16
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1684a

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Finance and Resources Committee

10.00a.m, Thursday, 29 September 2016

Proposed New Lease at Unit 3 West Shore Business Centre, Long Craig Rigg, Edinburgh

Item number	8.2
Report number	
Executive/routine	Routine
Wards	4 - Forth

Executive summary

The business unit at 3, West Shore Business Centre is let to Fire Prevention Works Limited.

The current lease does not expire until November 2019, however the tenant has requested a new 15 year lease in order it can carry out a running programme of upgrading works to its unit and provide long term security of tenure.

This report seeks approval to the grant of a new 15 year lease to Fire Prevention Works Limited on the terms and conditions outlined in the report.

Links

Coalition pledges	P15 , P28
Council priorities	CP5 , CP7 , CP8 ,
Single Outcome Agreement	SO1

Proposed New Lease at Unit 3 West Shore Business Centre, Long Craig Rigg, Edinburgh

Recommendations

That Committee:

- 1.1 Approves a new 15 year lease to Fire Prevention Works Limited of business premises at Unit 3 West Shore Business Centre, Long Craig Rigg, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

Background

- 2.1 The business premises at Unit 3 West Shore Business Centre extends to 241.63m² (2,601sq ft) or thereby and is shown outlined in red on the attached plan.
- 2.2 Since December 2014, Fire Prevention Works Limited has been the tenant at the property operating a fire prevention consultancy and maintenance of fire protection systems business. The current rent is £11,000pa excl VAT.

Main report

- 3.1 The tenants existing lease does not expire until November 2019, however it plans to invest significant capital in upgrading works to the interior of the property and accordingly wishes a longer term lease. To achieve long term security of tenure, the tenant has requested the Council grant a new 15 year lease from November 2016. The existing lease will be renounced by mutual consent on a back to back basis with the signing of the requested longer term lease.
- 3.2 The tenant has fulfilled all its legal and financial obligations in terms of the existing lease.
- 3.3 The following terms have been provisionally agreed:
 - Subjects: Business unit at 3 West Shore Business Centre, Edinburgh;
 - New Lease: 15 years from 1 November 2016 until 31 October 2031;
 - Break Option: Tenant only break option on the fifth and 10th anniversary;
 - Rent: £11,700 per annum (current market rental value);

- Rent Reviews: Reviewed on each fifth anniversary of the term to open market value;
- Use: Fire prevention consultancy and maintenance of fire protection systems;
- Repairs: Full repairing and maintaining obligation; and
- Other terms As contained in a standard commercial lease.

Measures of success

- 4.1 Granting a new 15 year lease will allow the tenant to invest capital into the business premises and also continue its long term financial planning of the business and, in turn, sustain employment for its workers.

Financial impact

- 5.1 An increase in rent of £700 per annum to the General Property Account effective from 1 November 2016.

Risk, policy, compliance and governance impact

- 6.1 This is a new 15 year lease to the existing tenant. The tenant has been trading from the property since December 2014 and the actual business has been trading for many years prior to this. It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

Equalities impact

- 7.1 An Equality and Rights Impact Assessment has been carried out.
- 7.2 An enhancement of rights has been identified as through a new lease, it will ensure that the tenant can continue to plan both financially and in terms of developing their business. This will allow them to continue to provide a high level of service and experience to their employees and customers. Additionally, due to the nature of the tenants business in fire protection they can develop and improve their service which may enhance the rights of life and health of the occupiers and users of the buildings they work on. This directly links to an enhancement of the following rights namely (i) Life, (ii) Health, (iii) Legal Security, (iv) Education and Learning and (v) Productive and Valued Activities.
- 7.3 A possible infringement has been identified in that by offering a new lease to the current tenant rather than placing the business premises on the open market at the end of their existing tenancy in December 2019, there is a potential impact on others who may want to lease the unit. However, given the established

nature of the tenants business and the possible effect on it if a new lease is not granted, the impact is considered to be proportionate and justifiable.

Sustainability impact

8.1 There are no sustainability issues arising from this report as the property has been leased out as a business unit for many years and this is set to continue.

Consultation and engagement

9.1 N/A.

Background reading/external references

N/A

Hugh Dunn

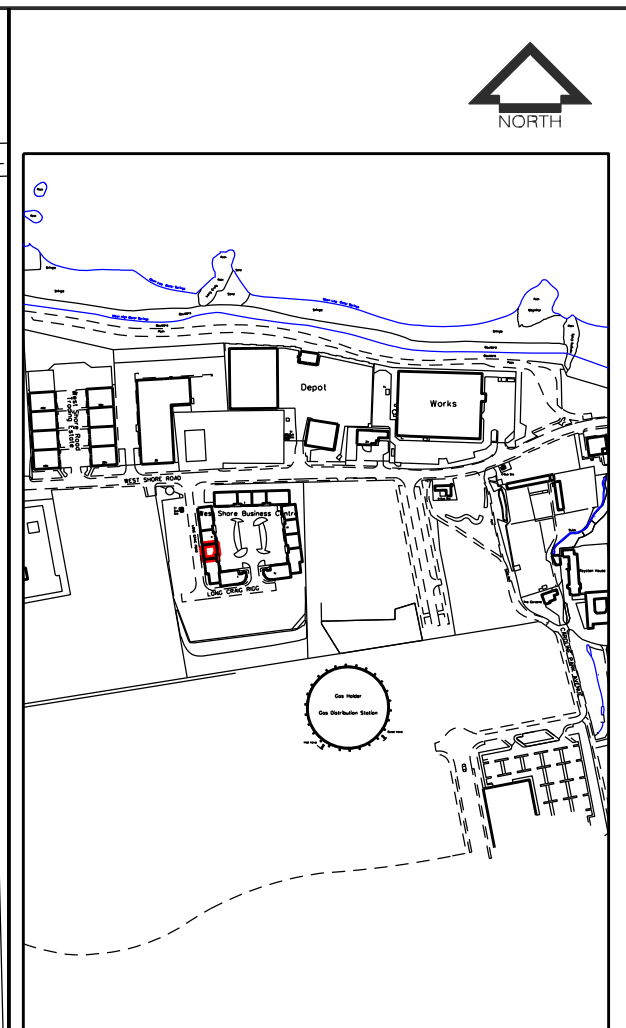
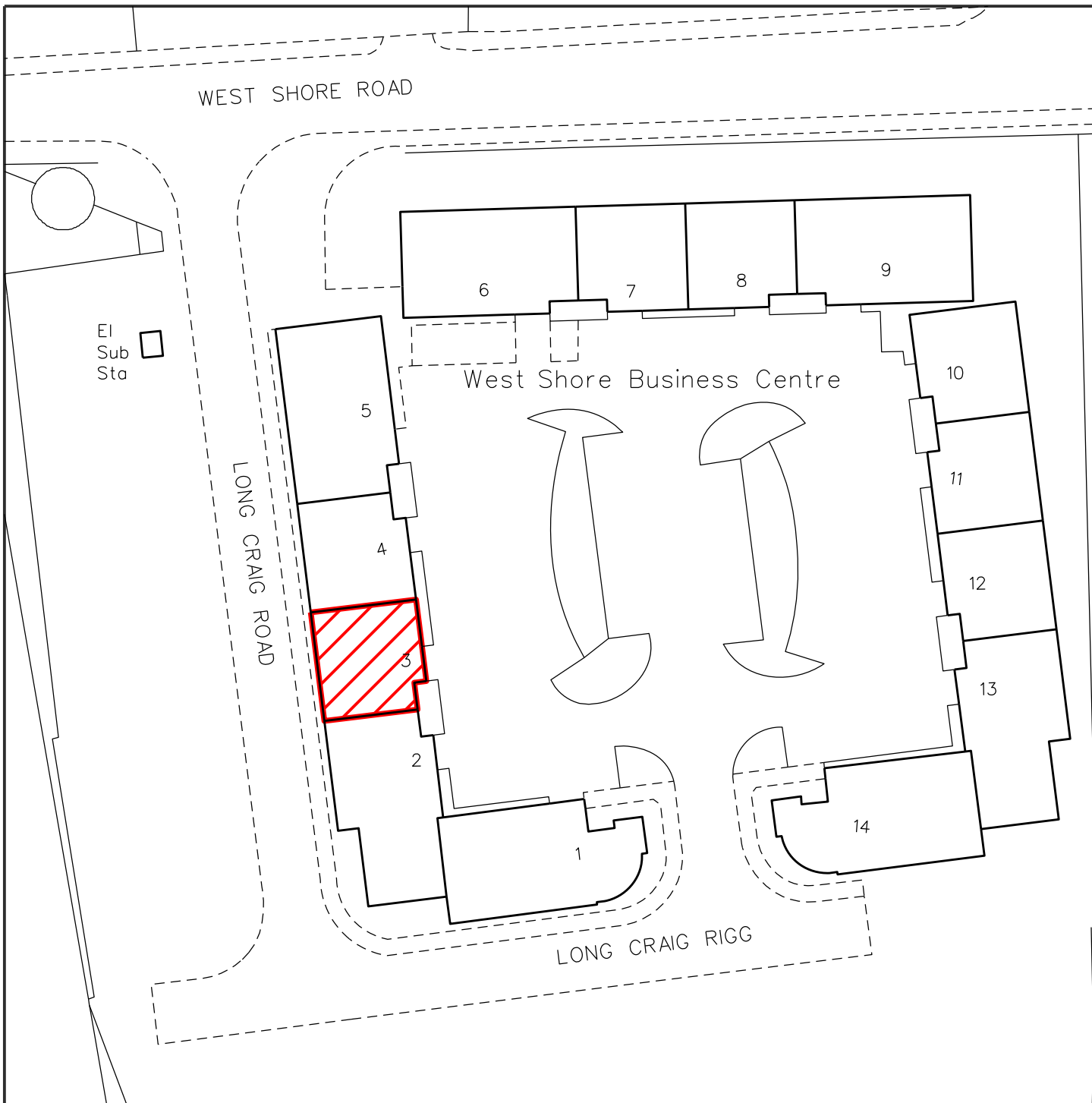
Acting Executive Director of Resources

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Links

Coalition pledges	P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors. P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.
Council priorities	CP5 – Business growth and investment. CP7 – Access to work and learning. CP8 – A vibrant sustainable local economy.
Single Outcome Agreement	SO1 - Edinburgh's Economy delivers increased investment, jobs and opportunities for all.
Appendices	Appendix 1 – Location Plan



LOCATION PLAN

• EDINBURGH •
THE CITY OF EDINBURGH COUNCIL

SERVICES FOR COMMUNITIES
EDINBURGH

UNIT 3
WEST SHORE BUSINESS CENTRE
WEST SHORE ROAD
EDINBURGH

DATE 11/8/16

SURVEYED BY

DRAWN BY Mark Ballantyne

FILE NO.

NEG. NO. A3/1391a

SITE PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE